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DRAFT

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2011

GLOSSARY OF TERMS

AFS	Annual Financial Statements
AG	Auditor General
AIDS	Acquired Immune Deficiency Syndrome
CBP	Community Based Planning
CDW	Community Development Workers
CFO	Chief Financial Officer
CLLR	Councillor
BNG	Breaking New Ground
DEDEA	Department of Economic Development and Environmental Affairs
DM	District Municipality
DME	Department of Minerals and Energy
DPLG	Department of Local Government
DSRAC	Department of Sports, Recreation, Arts & Culture
ECDC	Eastern Cape Development Corporation
ECSECC	Eastern Cape Socio Economic Consultative Council
EIA	Environmental Impact Assessment
ELM	Elundini Municipality
EXCO	Executive Committee
EWIB	Elundini Women in Business
EPWP	Expanded Public Works Programme
FET	Further Education and Training
HIV	Human Immune Virus
HOD	Head of Department
IDP	Integrated Development Plan
IGR	Inter-Governmental Relations
IMFO	Institute of Municipal Finance Officers
IWMP	Integrated Waste Management Plan
LED	Local Economic Development
LLF	Local Labour Forum
MFMA	Municipal Finance Management Act, 2003
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MSA	Municipal Systems Act, 2000
NER	National Energy Regulator
NT	National Treasury
OHS	Occupational Health and Safety
O & M	Operations & Maintenance
PJEC	Provincial Job Evaluation Committee
PMU	Project Management Unit
PMS	Performance Management System



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SDF	Private Partnership
SDBIP	Waste Management
SLA	Spatial Development Framework
SMMEs	Service Delivery Budget and Implementation Plan
SPU	Service Level Agreements
TOR	Small, Medium and Macro Enterprises
WSA	Special Programmes Unit
WSDP	Terms of Reference
WSP	Water Services Authority
	Water Services Development Plan
	Water Services Provider

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SECTION 1 – INTRODUCTORY NOTES

EXECUTIVE SUMMARY

This report assesses the Elundini Municipality's performance against planned targets in terms of the institutional scorecard for the 20010/2011 financial year. The document consists of four (4) sections that deal with different specific issues.

Section One is the introduction and overview which contains the Mayor's foreword, statement by the Municipal Manager and the Executive Summary.

Section Two has two chapters, the first chapter deals with both the demographics and geographic profiles of the municipality and the second chapter deals with the organisational profile of the municipality. The demographic overview indicates that the Elundini Municipality is a typical rural municipality characterized by huge infrastructure backlogs, inadequate revenue base and limited economic opportunities, high levels of poverty and unemployment and a high incidence of illiteracy, exacerbated by lack of social amenities.

The geographic overview also looks at the geographic location and the physical characteristics of the municipality.

This section also deals with the both the political and administrative composition and functioning of the municipality.

Section Three has five (5) chapters that deal with service delivery highlights by the municipality as per the Local Government Key Performance Areas (KPA). This section gives a narrative of all services provided by the municipality, including highlighting progress achieved in dealing with service delivery and backlogs.

- **Chapter 1:** reports on the substantial progress made by the Elundini Municipality regarding Human Resources and Organizational Management. It provides a detailed analysis of human resources capacity of the municipality as well as an overview of the systems and processes being implemented to ensure that human and organizational resources are managed in an effective and efficient manner.
- **Chapter 2:** deals with service delivery highlights and Service Delivery backlogs. It categorizes service delivery highlights per local government Key Performance Area (KPA). This section gives a narrative of all services provided by the municipality, including highlighting progress achieved in dealing with service delivery and backlogs.

overview of achievements and challenges in as far as the Economic Development in the municipal area. This chapter also examines the possible remedial actions to be employed in order to create a more viable condition for the development of local economy.

- **Chapter 4:** provides the Annual Financial Statements and related financial information for the year ended 30 June 2011.
- **Chapter 5:** provides an overview of issues relating to achievements gained till 30 June 2011 emanating from the Vision 2011 strategic planning session the municipality held; public participation and consultation; Ward Committee establishment and functionality; CDWs performance monitoring; legal matters and the executive support programmes that include HIV/AIDS programmes, SPU programmes, Communication Programmes, Women Empowerment Programmes and IGR issues.

Section Four provides information that shows overview, description and analysis of each function provided by the municipality. This includes the performance of the municipality against set targets as reflecting in the municipality's Scorecard and SDBIP.

The section also draws amongst other things a summary of the municipality's performance during this financial year, its priorities for service delivery with established performance targets and measures taken and or to be taken to improve performance.

MAYOR TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2011



I am pleased to present the Elundini Local Municipality Annual Report 2010/2011 to our communities and partners in developmental local government. As I present the report I must express my gratitude to all stakeholders for all their tireless efforts towards achieving the vision of the municipality and in so doing helping us to increase the development impact to our communities and individual lives. The municipality is honoured and humbled by your pleasant gesture. Continuous and meaningful stakeholder engagement remains critical and is an essential pre-condition for long term development success.

This annual report is dedicated to the previous Council for their leadership as a result the new Council had a smooth-sailing finish. The financial year 2010/2011 was a very successful year in service delivery notwithstanding challenges that remain. The municipality successfully managed to break new grounds in various spheres of development which included the launch of Mass Job Creation which benefitted Elundini community for four months, participation in the EPWP, establishment of a relationship with the Provincial Department of Roads and Public Works on regraveling and maintenance of roads and storm water.



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completion of water purification plant in Mount Fletcher, 100% for construction of roads, completion of the installation of 29 high mast lights in Ogie, the purchase of a cherry picker to improve the pace at which street lights are maintained, capacity building of cooperatives, informal traders, emerging contractors and SMEs. Sound financial management, registration and provision of support to 1 077 indigent households, vibrant partnership to coordinate HIV/AIDS, youth development initiatives like the Mayoral Cup and Dare To Dream. 1077 indigent

The municipality would not have achieved all this without dedication from our staff. I therefore wish to take this opportunity to appreciate commitment that has been shown by our Council, management and staff – your zeal and exhilaration in performing your duties in the quest to serve communities has not gone unnoticed.

**HER WORSHIP, THE MAYOR
COUNCILLOR N R LENG**



The year 2010/2011 heralds the beginning of a new era for the Elundini Municipality, particularly as regards the unqualified audit opinion that has been achieved. The challenge that confronts the municipality is to sustain this achieving while progressing towards a clean audit report in the ensuing years.

Myriad developmental initiatives were also initiated during the 2010/2011 financial year, notably the inaugural Mayoral Cup and the Dare to Dream youth talent show in performing arts. Due to the success of the youth development programmes, the municipality has: -

- Allocated funds in its budget for the 2011/2012 financial year for the purpose of revamping at least one or more sports fields to be utilised for the mayoral cup games;
- Facilitated a recording deal for the winners of the Dare to Dream competition (Amanda Mankayi and Ugie Mob), whose respective debut albums were launched on the 16th December 2011 at the Entokozweni Community Hall.

The municipality continues to be a trend setter in many other areas, as evidenced by the riveting “Kairos moment” program that has been approved by council for implementation. Kairos moment is an initiative aimed at providing more opportunities for women in business to harness and nurture their business and also promote and raise cutting edge women business whilst imparting technical and business management skills currently focussing in the areas of food and beverages, fashion designed and hair and beauty.

Our approach to the HIV and Aids programme is a cut above the rest. The municipality has gotten into a partnership with all Home Community Based Care (HCBC) organisations in the municipality’s wards, in

HCBC a quarterly stipend of R10 000 whilst the HCBC s in HIV and AIDS strategy, which is anchored on the coordination in the areas of prevention, education and awareness ; treatment, care and support for people living with the virus and care and support for orphans and vulnerable children.

On a sad note, the majority of the people of Elundini have continued to experience challenges in the areas of water provisioning, electricity distribution and roads. The regional water scheme in the Tina River has since been commissioned by the Joe Gqabi District Municipality in October 2011 whilst on the other hand there are positive indications that the funding application submitted to the government of Netherlands by the Joe Gqabi DM in collaboration with the Department of Water Affairs may be approved. The project to be implemented entails the provisioning of new water infrastructure for 107 villages in the rural areas of Elundini.

The provisioning of electricity in the majority of our rural areas has continued to be a problem. The only positive thing that is coming out is the fact that ESKOM is rationalising its regional service centres, which will result in the Elundini Municipality being allocated to the new Eastern Cape Region and no longer be split between the erstwhile eastern and southern regions. From a service delivery coordination point, this is progress and will result in focused attention to our municipality.

2010/2011 was a very bad year for our roads construction programme as a result of the incessant inclement weather that we experienced. The roads construction plant and machinery has since been moved to start the Lehana to Tokoana road in ward 15, having concluded constructing the Sophonia to Maroqa access road in ward 7. In the context of developing a service level agreement to regulate cooperation between the Elundini Municipality and the provincial department of roads, it has been established that the roads backlog within the Elundini Municipality is estimated at 70%. The annual MIG allocation is thus insignificant in relation to the backlogs in view of the size of the municipality's roads network.

The new council has formulated a development strategy that seeks to guide the development agenda over the next 5 years. The municipality has also adopted service delivery standards which delineate the minimum service delivery standards that the new council will adhere to as it pursues the objectives of its development strategy. These are critical initiatives undertaken by the municipality and these documents stand to be enhanced by a constructive critique by communities and key stakeholders.

Khaya Gashi
Municipal Manager



SECTION 2 - MUNICIPALITY OVERVIEW

CHAPTER 1

1. GEOGRAPHIC AND DEMOGRAPHIC PROFILE



1.1. Locality

Elundini Municipal area is located in the east of the Joe Gqabi District Municipality and shares boundaries with the following local municipalities:

- Umzimvubu to the northeast,
- Mhlontlo to the southeast,
- Sakhisizwe to the southwest, and
- Senqu to the west.

Lesotho is situated on the northern borders of the municipality.

Elundini Municipality covers an area of 5064km² and divided into 17 wards.

; Mount Fletcher, Maclear and Ugie, and is characterized by vast farming areas in the areas surrounding Maclear and Ugie as well as the Pitseng area in Mt Fletcher. The majority of the municipality's inhabitants reside in rural villages situated in the foothills of Maluti Mountains and Southern Drakensburg Range as well as the rural villages inherited from the erstwhile magisterial districts of Tsolo and Qumbu. The R56 runs from Elliot through Elundini Municipal area linking the three towns with KwaZulu-Natal.

1.2. Population Figures

According to the Community Survey 2007, Elundini Municipality has a population of approximately 137 580 people residing in 33 248 households (census 2001). This population accounts for 40, 31% of the total population residing in the Joe Gqabi district, making it the most populated local municipality in the district.

1.3. Population Projections

Based on the modelling done by the Department of Health (District Health Information System) and using the statistical models provided by STATSSA, the projected population of Elundini is listed in the table below:

AREA	PROJECTED POPULATION	
	2006	2009
Elundini LM	135,390	133,813
Joe Gqabi DM	336,828	334,673

Source: Elundini IDP 2009/2010

While these figures are disputed (even by the Dept. of Health who have the best interaction with community based statistics and who have identified a severe undercounting especially of children) these are taken as to represent the Joe Gqabi District Area. It is critical to note that based on current modelling it is expected that the population will be decreasing in the area due to the effects of out migration as well as due to the impact of HIV and AIDS.

1.4. Rural vs. Urban Population

According to the 2001 Census 77% of households are rural in nature, this includes rural villages and farm households. This dynamic is shifting with the phenomenon of urban in-migration occurring in Elundini Municipality. This is especially evident in the town of Ugie, where the town's population has increased from 8 344 in 2001 to approximately 16 355 in 2004. This figure has probably increased with the addition of 2 130 new housing units planned for Ugie, which will accommodate approximately 10 560 people. The establishment of the timber manufacturing plant has particularly had a pull effect on the town of Ugie and the neighbouring Maclear, which has had an effect of overstretching the already strained infrastructure.



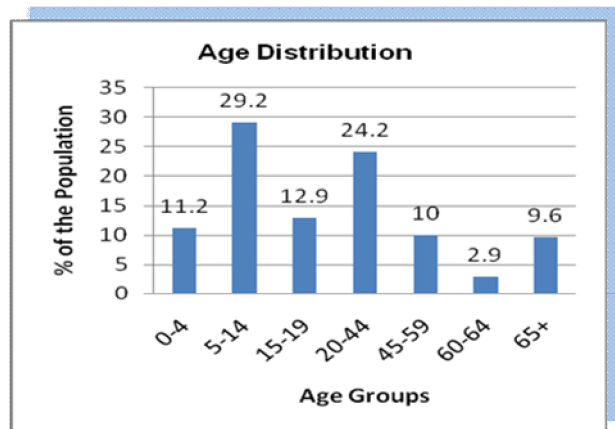
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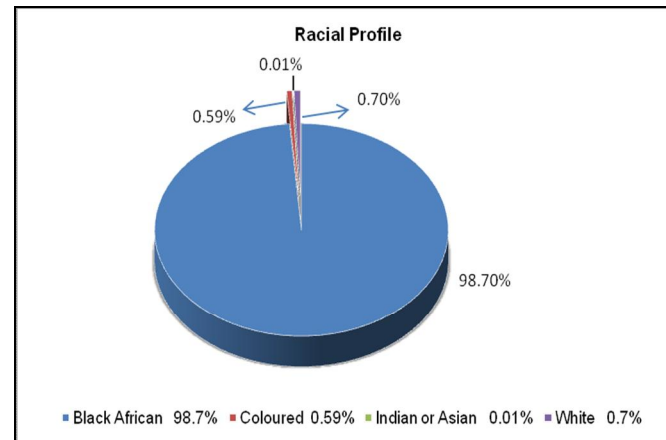
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Approximately 50.3% of the municipal population falls in the 15 – 65 age categories which can be seen as the economically active sector of the population, with 42% of the population below the age of 15. This suggests continuing population growth in the district with a need for educational facilities and a focus on education and skills training. The overall male and female ratio is approximately 46% male to 54% female. This may be ascribed to the migrant and commuter labour which has resulted in many households having a woman as the head of the household and the chief breadwinner living away from the home. This will impact on the type of development that will occur.

THE AGE DISTRIBUTION AND RACIAL PROFILE



Source: Census 2001



are Black Africans. The main economic drivers of Elundini Municipality are Agriculture, Tourism and Forestry.

1.6. UNEMPLOYMENT AND DEPENDENCY ON SOCIAL GRANTS

Data from the Eastern Cape Socio Economic Consultative Council (ECSECC) 2008 indicates that there are 6 519 unemployed people in Elundini which is 21, 2% of the population.

Data from SASSA as at July 2011 indicated that the total value of state support in the form of grants to Elundini Municipal population was **R 19 801 580** per month benefiting **22 446** beneficiaries in the three (3) towns divided as follows:

TOWN	AMOUNT of GRANT	No OF BENEFICIARIES
Mount Fletcher	R 17 967 860	20338
Maclear	R 718 200	735
Ugie	R 1 115 520	1373
TOTAL	R 19 801 580	22 446

This is 51, 9% of the total value (R 38 189 460) of state support to the Joe Gqabi District.

CHAPTER 2

ORGANISATIONAL PROFILE

2.1. MUNICIPAL COUNCIL

During the year under review and up the declaration of the results of the local government elections, the Elundini municipal council had 32 members. Due to the redetermination of the inner boundaries of the Elundini Municipality by the Municipal Demarcation Board (MDB), the municipal area has 17 Wards and 34 councillors with effect from the 18 May 2011

The political party composition of the municipal council is as follows: -

Political Party representation	Before 2011 Local Government Elections		After 2011 Local Government Elections	
	Number	% representation	Number	% representation
African National Congress	29	90,6	28	82,36
United Democratic Movement	2	6,3	2	5,88
Democratic Alliance	0	0	2	5,88
African Independence Congress	0	0	2	5,88
African Peoples Convention	1	3,1	0	0
TOTAL	32	100	34	100

The Speaker, who is the chairperson of the municipal council, is councillor M Bomela (before 21 May 2011 the Speaker was Councillor L S Baduza)

The Municipal Council had 9 meetings during the year under review, which includes both special and ordinary meetings. The attendance of the meetings of the Municipal Council was as follows:-

SCHEDULED DATE	ACTUAL MEETING	ATTENDANCE		TYPE OF MEETING
		Number	%	
September 02, 2010	September 17, 2010	18	56,3	Ordinary
November 02, 2010	November 05, 2010	21	70	Ordinary
March 31, 2011	March 31, 2011	21	65,6	Ordinary
June 29, 2011	June 29, 2011	33	97,1	Ordinary

2.2. THE EXECUTIVE COMMITTEE

In terms of Section 9(b) of the Municipal Structures Act (117 of 1998), the Elundini Municipality has a collective executive system with a ward participatory system.

Mayor and also consists of five (5) other members appointed by the Council on a proportional representation basis.

The Executive Committee is the principal committee of the Council. It is the Committee which receives reports from the standing or portfolio committees of Council and it must forward these reports together with its recommendations to the Council when it cannot dispose of matters in terms of its delegated authority.

The following councillors served as members of the Executive Committee during the term under review:

BEFORE 21 MAY 2011		WITH EFFECT FROM 31 MAY 2011	
Councillor	Portfolio	Councillor	Portfolio
Bongani Salman	Mayor	Nonkongozelo Lengs	Mayor
Dumisani Mvumvu	Head: Community Services	Dumisani Mvumvu	Head: Community Services
Nonkosithandile Mphithi	Head: Corporate Services	Tlokomelo Lehata	Head: Infrastructure Planning and Development
Nonkongozelo Lengs	Head: Technical Services	Letitia Somikazi Baduza	Head: Corporate Services
Semakaleng Leteba	Head: Financial Services	Mlamli Mqamelo	Head: Financial Services
Mlamli Mqamelo	Member of the Executive Committee	Nontuthuzelo Nkalitshana	Head: Strategic Planning and Economic Development

The Executive Committee had 6 meetings during the year under review, which includes both special and ordinary meetings. The attendance of the meetings of the Executive Committee was as follows: -

BEFORE 21 MAY 2011

Date of EXCO meeting	ANALYSIS OF COUNCILLOR ATTENDANCE					
	Cllr B Salman	Cllr D D Mvumvu	Cllr N Mphithi	Cllr N R Lengs	Cllr S M Leteba	Cllr A M Mqamelo
13/7/2010	✓	✓	✓	Ω	✓	Ω
4/8/2010	✓	✓	✓	✓	✓	✓
13/9/2010	✓	✓	✓	✓	✓	✓
26/10/2010	✓	✓	✓	✓	✓	✓
20/1/2011	✓	✓	✓	✓	Ω	✓
23/3/2011	✓	Ω	✓	Ω	✓	✓
28/4/2011	✓	✓	✓	✓	✓	Ω

ANALYSIS OF COUNCILLOR ATTENDANCE						
Date of EXCO meeting	Cllr N R Lengs	Cllr D D Mvumvu	Cllr T J Lehata	Cllr L S Baduza	Cllr N Nkalitshana	Cllr A M Mqamelo
18/6/2011	✓	✓	✓	✓	✓	✓

Legend:

- ✓ - Attended EXCO meeting
- Ω - Did not attend EXCO meeting

MEMBERS OF THE EXECUTIVE COMMITTEE AS AT 30 JUNE 2011



Cllr. N. Nkalitshana: (Political Head: Strategic Planning & Economic Development)



Her Worship the Mayor: Cllr. N. Lengs



Cllr. D. Mvumvu: (Political Head: Community Services)



Cllr. L. Baduza: (Political Head: Corporate Services)



Cllr. Lehata: (Political Head: Technical Services)



Cllr. A. Mqamelo (Political Head: Financial Services)

The Municipal Council has established various committees in terms of Sections 33 and 79 of the Municipal Structures Act as well as in terms of the Council's Standing Rules and Orders. These committees have been established to address certain specific objectives:

2.3.1. COMMITTEES TO ASSIST THE EXECUTIVE COMMITTEE

Section 80 of the Municipal Structures Act, provides that where a municipal council has an Executive Committee, it may appoint, in terms of Section 79, Committees of Councillors to assist the Executive Committee. The Elundini Municipality has established five Section 80 Committees which are aligned to the administrative departments and are chaired by members of the Executive Committee. The meetings of the section 80 committees took place as follows during the year under review:-

SECTION 80 COMMITTEE	SCHEDULED DATE	ACTUAL MEETING
FINANCIAL SERVICES	July 2010	08 July 2010
	August 2010	
	September 2010	
	October 2010	29 October 2010
	November 2010	
	February 2011	09 February 2011
	March 2011	29 March 2011
	April 2011	
	May 2011	
	June 2011	
CORPORATE SERVICES	July 2010	
	August 2010	
	September 2010	29 September 2010
	October 2010	
	November 2010	15 December 2010
	February 2011	16 February 2011
	March 2011	15 March 2011
	April 2011	12 April 2011
	May 2011	
	June 2011	
COMMUNITY SERVICES	July 2010	
	August 2010	30 August 2010
	September 2010	
	October 2010	
	November 2010	05 December 2010
	February 2011	08 February 2011
	March 2011	14 March 2011

	April 2011	26 April 2011
	May 2011	
	June 2011	07 June 2011
TECHNICAL SERVICES	July 2010	
	August 2010	
	September 2010	16 September 2010
	October 2010	29 October 2010
	November 2010	29 November 2010 13 December 2010
	February 2011	21 February 2011
	March 2011	14 March 2011
	April 2011	
	May 2011	
	June 2011	13 June 2011

Comments

- None of the section 80 Committees met the minimum prescribed number of meetings;
- The Technical Services Committee achieved 70% of the minimum number of meetings, whilst the least number of meetings were held by the Financial Services Committee at 40%

2.3.2. SECTION 79 COMMITTEES

During the financial year 2009/2010, the municipal council adopted By-laws relating to the Standing Rules and Orders of the Council, which make provision for the establishment of various committees.

The By-laws, which were adopted on 15 June 2010, make provision for the establishment of the following committees, inter alia:-

- Advisory Committees
- Ad Hoc Committees
- Oversight Committee
- Strategic Governance Committee
- Audit Committee
- Members Interests and Ethics Committee

Furthermore, council also adopted a Policy Framework Governing the Relations between the Joe Gqabi District Municipality and the Elundini Municipality. Significantly, this policy makes provision for the establishment of a Mandate Committee, which must ensure that the representatives of the Elundini Municipality to the Joe Gqabi District Municipality are properly mandated and that mechanisms for the representatives to report to the Municipal Council on their activities at the Joe Gqabi District Municipality are put in place.

The functionality of the section 79 committees during the year under review can be demonstrated as follows: -

There was no advisory committee appointed during the year under review.

b) AD HOC COMMITTEE

Following the submission of a report on unauthorised, irregular, fruitless and wasteful expenditure to by the Chief Financial Officer, the Speaker of Council was advised to appoint an Ad Hoc Committee to investigate the circumstances for the expenditure. The Speaker appointed the following members to serve in the Ad Hoc Committee: -

- Councillor V Funani (Chairperson)
- Councillor F Dlaza
- Councillor E Zililo
- Councillor L Ndlovu

The Ad Hoc Committee had its meetings over three days on: -

- 31 August 2010
- 1 September 2010; and
- 3 September 2010

The committee had, over the three day period interviewed all the senior managers whose departments were allegedly responsible for the unauthorised, irregular, fruitless and wasteful expenditure. The committee submitted its findings and recommendations to the municipal council.

c) OVERSIGHT COMMITTEE

The Oversight Committee was established in the Council meeting held on 17 September 2010 and 5 November 2010 at which the following councillors and community members were appointed to serve in the committee: -

- Councillor M Bomela (chairperson)
- Councillor M Naketsana
- Councillor N Motema
- Councillor T Fokoto
- Mr T J Lehata (Community Member)
- Mr T Tsesmelis (Community Member)

Following its induction on 30 November 2010, the Oversight Committee had its meetings on 15 March 2011, 25 March 2011 and 30 March 2011, at which meetings the following reports were reviewed: -

- Annual Report for the year ended 30 June 2010
- Mid-term report for the period ended 31 December 2010

The oversight reports on the above reports were respectively considered and adopted by the Municipal Council in its meetings held on 31 March 2011 and 10 May 2011.



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ITTEE

This committee never had a meeting during the year under review.

e) AUDIT COMMITTEE

A separate report of the Audit Committee is provided below.

f) MEMBERS' INTERESTS AND ETHICS COMMITTEE

This committee did not meet during the year under review.

SECTION 3 – KPA's PERFORMANCE HIGHLIGHTS

CHAPTER 1

HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

1.1. Introduction

The Human Resources function serves as a support function to the municipality and its primary objectives include, among others:

- Management of employees' conditions of service in terms of the relevant collective agreement and policies;
- Design and implement an organisational structure aligned to the municipality's powers and functions and the IDP;
- Facilitate the training and development of personnel including councillors;
- Maintenance of a human resources environment that is conducive to and that promotes organisational stability and harmony;
- Implementation of the Job Evaluation System.

During the year under review, the Municipal Manager and his 4 Section 57 Managers signed their annual performance agreements aligned to the SDBIP of the Municipality which were subsequently submitted to institutions as prescribed in relevant legislation.

The municipality, on a continuous basis, develops, reviews and adopts its Human Recourses related policies.



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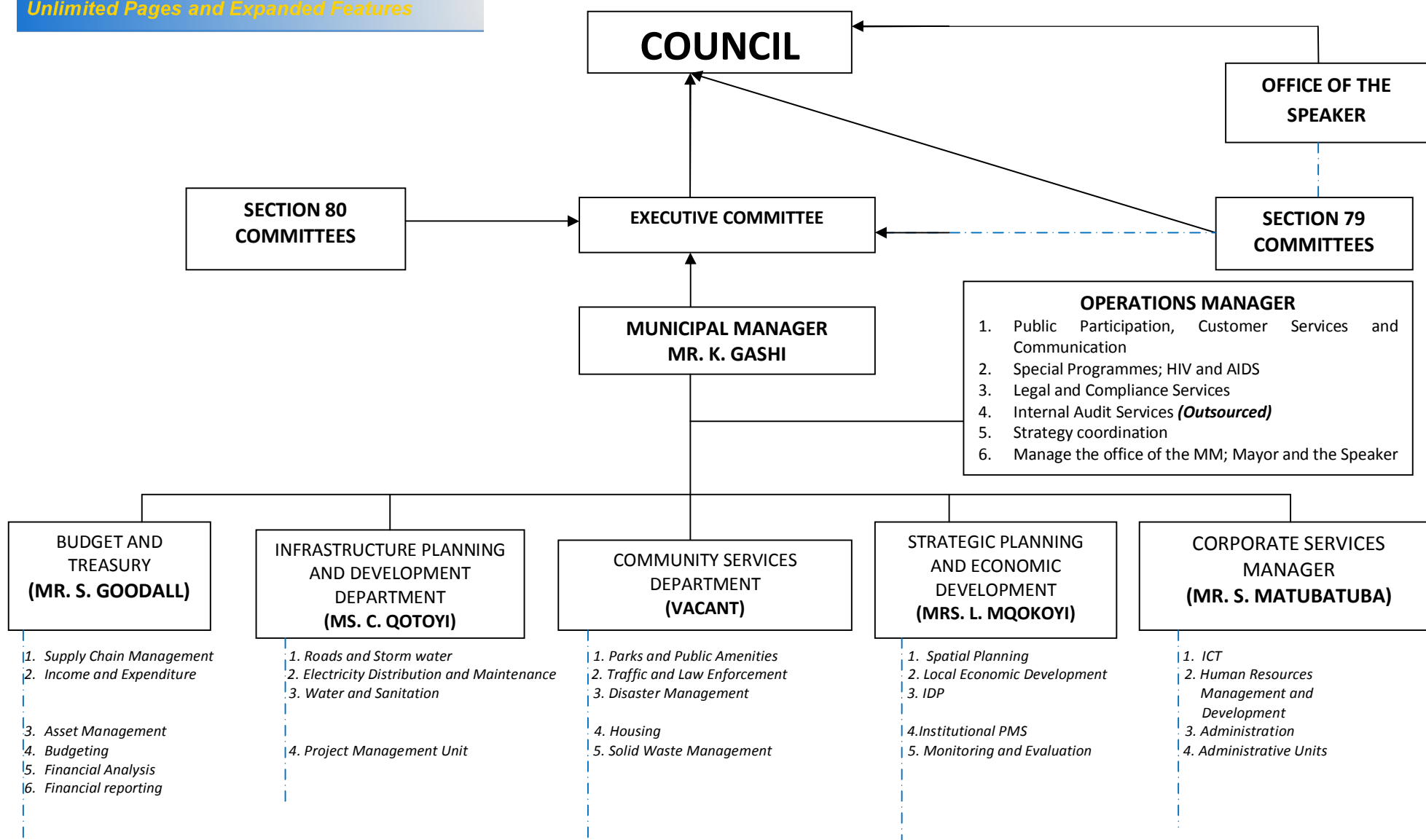
al posts, filled and vacant, in each department during the year under review.

DEPARTMENT	NO. OF POSTS	NO. OF FILLED POSITIONS	VACANCIES	% of Vacancies
MM's Office	17	12	5	29, 41
Technical Services	122	113	9	7, 38
Finance	31	29	2	6, 45
Community Services	49	47	2	4, 08
Corporate Services	51	35	16	31, 37
TOTAL	270	236	34	

The filling of vacant posts in the organisational structure is done within the available funds on the labour budget.

Note must be taken that the municipality as part of its IDP and Budget review processes, also undertook a process of reviewing its Organisational Structure and a new department, Strategic Planning and Economic was established. The structure overleaf denotes only the macro organisational structure as at 30 June 2011 and an approved and comprehensive Municipal Organisational Structure can and will be made available on request.

ANISATIONAL STRUCTURE OF THE MUNICIPALITY AS AT 30 JUNE 2011



RT OF THE ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

ELUNDINI TOP MANAGEMENT TEAM AS AT 30 JUNE 2011



Mr. K. Gashi (Municipal Manager)



Ms C. Qotoyi (Manager: Technical Services)



Mr. S. Goodall (CFO)



Mr. S. Matubatuba (Manager: Corporate Services)



Mrs. L. Mqokoyi (Manager: Community Services)

THE YEAR UNDER REVIEW

The table below depicts the number of appointments made per department during the year under review.

POSITION	DEPARTMENT	APPOINTMENT DATE
CREDITORS CLERK	FINANCE	13/09/2010
ASSISTANT MANAGER: PUBLIC PARTICIPATION	TOP STRUCTURE	01/10/ 2010
TECHNICIAN: CIVIL	TECHNICAL SERVICES	01/11/2010
SUPPLY CHAIN PRACTITIONER	FINANCE	05/11/2010
ASSISTANT MANAGER: IDP & PMS	TOP STRUCTURE	01/08/2010
GENERAL ASSISTANT: WATER & SANITATION	TECHNICAL SERVICES	01/03/2011
GENERAL ASSISTANT – WATER & SANITATION	TECHNICAL SERVICES	01/03/2011
TOURISM INFORMATION OFFICER	COMMUNITY SERVICES	06/04/2011
ADT	TECHNICAL SERVICES	06 /04/2011
ADT	TECHNICAL SERVICES	06/04/2011
ADT	TECHNICAL SERVICES	06/04/2011
VIBRATOR ROLLER	TECHNICAL SERVICES	06/04/2011
CONSTRUCTION GRADER	TECHNICAL SERVICES	06/04/2011
EXCAVATOR	TECHNICAL SERVICES	06/04/2011
TLB OPERATOR	TECHNICAL SERVICES	06/04/2011
4TON TRUCK DRIVER	TECHNICAL SERVICES	06/04/2011
AWT	TECHNICAL SERVICES	01/05/2011
COMMUNICATIONS OFFICER	TOP STRUCTURE	11/04/2011
TRAFFIC OFFICER (EXAMINER)	CORPORATE SERVICES	01/05/2011
SPU	TOP STRUCTURE	01/05/2011
SEMI – SKILLED ELECTRICIAN	TECHNICAL SERVICES	05/04/2011
EXECUTIVE SECRETARY TO MAN - CORPORATE	CORPORATE SERVICES	01/05/2011
WASTE MANAGEMENT OFFICER	TECHNICAL SERVICES	01/05/2011
SDF	CORPORATE SERVICES	15/05/2011

The total number of employees employed during the year under review was 24 of which seven (7) were female employees making 29% of employees employed and 17 were male employees making 71% of the employees employed. This could be indicative of the non- or improper functioning of the Training and Employment Equity Committee.



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ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

e Municipality's workforce as at 30 June 2011.

OCCUPATIONAL LEVELS	AM	AF	CM	CF	IM	IF	WM	WF	TOTAL
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	1	2	0	0	0	0	1	0	4
Professionally qualified and experienced specialists and mid management	3	8	0	0	0	0	0	0	11
Skilled technical and academically qualified workers, junior management; supervisors; superintendents and foremen	14	4	0	0	0	0	3	0	21
Semi-skilled and discretionary decision making	14	31	0	0	0	0	0	3	48
Unskilled and defined decision making	111	34	6	0	0	0	0	0	151
Sub Total	144	79	6	0	0	0	4	3	236
TOTAL	223		6				7		236
% Race Group	94, 5		2, 5		0		3		100



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ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

ES AS AT 30 JUNE 2011

The table below depicts the number of people benefited in skills programme and the type of training attended:

FIELD	NUMBER OF BENEFICIARIES
COMPTIA Network +Training	1
Job Evaluation Training	3
Career Guidance Information Session	16
Labour Intensive Construction Training	1
Municipal Emerging Leadership Programme Training	13
ITIL Training (Phase 1)	1
Pound Training	7
Driving Licence Examiner	2
Supply Chain Management	5
Project Finance Skills	1
Statutory Development in the Environment of Employment	2
Trade Test (Electrical Skills)	2
Line Inspection	4
Advanced Computer Programme	15
Professional P.A's & Office Administration Course	5
Advanced Transport and Fleet Management	2
Tour Guiding	5
LLB	1
ND Office Management	1
Masters in Business Administration	1
Bachelor of Information Sciences	1
B.Com Internal Auditing	1
B.Com Management Accounting	1
B. Tech in Cost and Management Accounting	1
Safety Management Programme	1
B. Tech HRD	1
ND HRM	1
M+4 Life Orientation	1
CPMD	3
OD-ETDP Learnership	2
Local Government Law and Admin (Advanced)	3
Honours in Local Government Law and Admin	1



capacity building that employees benefited on during the year under review:

JOB TITLE	QUALIFICATIONS	INSTITUTION	AMOUNT OF STUDY ASSISTANCE
Chief Traffic Officer	LLB	Walter Sisulu University	R 10 000, 00
Assistant Manager: Executive Support	MBA	RHODES University	R 10 000, 00
Library Assistant	B Information Science	UNISA	R 1 932, 00
Chief Accountant	B Com: Internal Audit	UNISA	R 5 124, 00
Finance Intern	B Com: Management Accounting	UNISA	R 5 146, 00
Finance Intern	B Tech: Cost and Management Accounting	UNISA	R 5 490, 00
SDF Clerk	B Tech: HRD	UNISA	R 7 660, 00
Assistant Manager: LED and Planning	Honours: Developmental Studies	UNISA	R 10 000, 00
Assistant Librarian	ND: HRM	UNISA	R 6 144, 00
Secretary	Bachelor of Public Administration	South Business School	R 6 780, 00

The total amount spent on training and development during the year under review was R 61 496.

1.3. WORKFORCE EDUCATIONAL PROFILE

The table below depicts the educational workforce of the municipality during the year under review:

OCCUPATIONAL CATEGORY	MALE			NQF LEVEL	FEMALE	NQF LEVEL	
	A	C	W		A	W	
Section 57 Managers	2		1	6 – 7	2		6 – 8
Professionals	7			4 – 6	10		5 – 7
Technicians	7		3	5 – 6	3		4 – 5
Clerks	4			4 – 6	31	3	4 – 6
Service & Sales Workers	6			4 – 5	2		4 – 5
Operators	25			1 – 4			
General Workers	92	6		1 – 4	33		1 – 4
TOTAL	143	6	4		80	3	

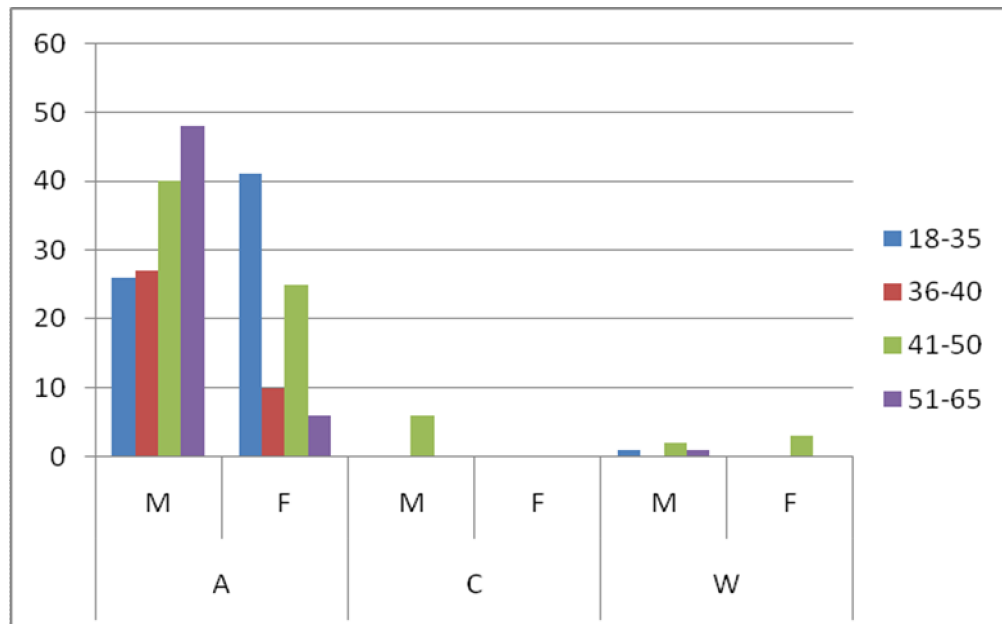


ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

The table below shows the age classification of staff in terms of race and gender for the year ended 30 June 2011.

AGE	A		C		W		TOTAL	%
	M	F	M	F	M	F		
18-35	26	41	0	0	1	0	68	28, 8
36-40	27	10	0	0	0	0	37	15, 7
41-50	40	25	6	0	2	3	76	32, 2
51-65	48	6	0	0	1	0	55	23, 3
TOTAL	141	82	6	0	4	3	236	100

The following is the graphically representation of staff in terms of race and gender.

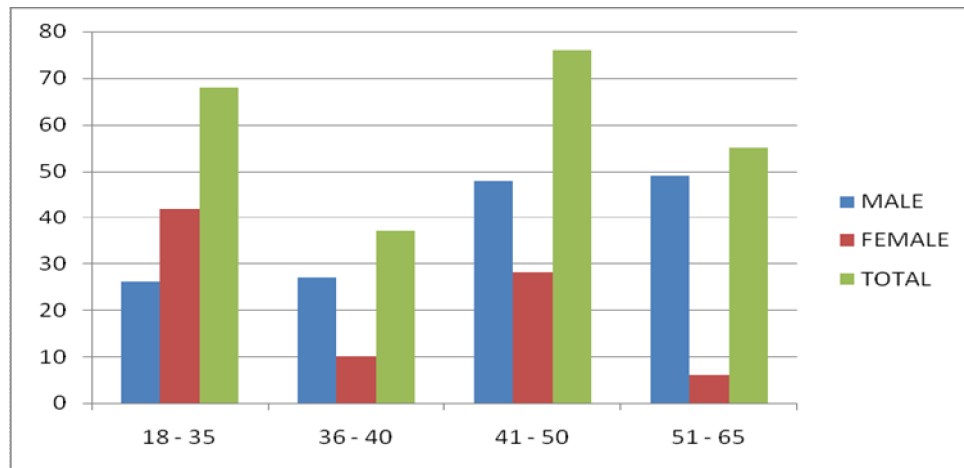




ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

the classification staff in terms of age and gender during the
year under review:

AGE	MALE	FEMALE	TOTAL
18 - 35	26	42	68
36 - 40	27	10	37
41 - 50	48	28	76
51 - 65	49	6	55
TOTAL	150	86	236



From the table above, youthful staff members (between 18 – 40 years) constitute 44, 5% of the total workforce. This augurs well for the continuity but may also be problematic since this is a highly mobile workforce.

The table below depicts the employment summary data for the year under review:

SUMMARY OF EMPLOYMENT DATA	
Total number of black (African, Coloured, Indian) employees	229
Black employees as a % of total employees	97.03%
Total number of women employees	85
Women employees as a % of total employees	36.01%
Total employees with Disabilities	7
Employees with disabilities as a % of total employees	2.96%
Total employees over 51	55
Over 51 employees as a % of total employees	23.30%
Total employees between 31 & 50	127
Employees between 31 & 50 as a % of total employees	53.81%
Total employees under 30	35
Employees under 30 as a % of total employees	14.83%

The following tables depict the staff turnover in the municipality during the year under review:

1.5.1. RESIGNATIONS/RETIREMENT

NAME	DEPARTMENT	DESIGNATION	REASON	DATE
B VICE	CORPORATE SERVICES	SDF	RESIGNED	10/12/2010
N MARASHA	TECHNICAL SERVICES	TECHNICIAN: CIVIL	RESIGNED	30/ 04/2011
M NDABENI	TECHNICAL SERVICES	TECHNICIAN: CIVIL	RESIGNED	30/04 /2011
T LUDWABA	TECHNICAL SERVICES	ELECTRICAL ASSISTANT	RETIRED	31/12/ 2010

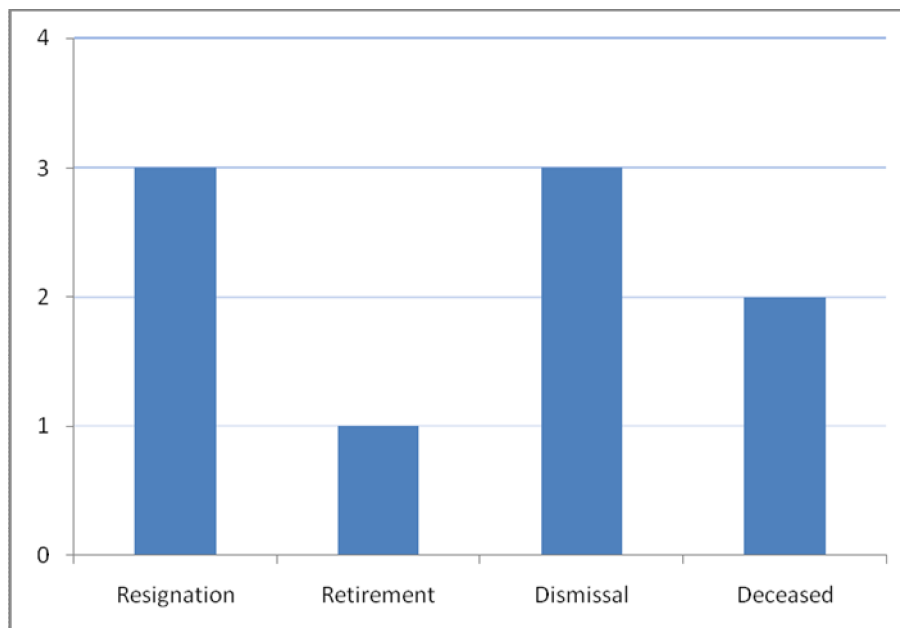
1.5.2. DEATH

NAME	DEPARTMENT	DESIGNATION	DATE
T LALI	TECHNICAL SERVICES	GENERAL WORKER: WATER	13/11/2010
B THEMBELA	TECHNICAL SERVICES	GENERAL WORKER: SANITATION	31/08/2010

1.5.3. DISMISSALS

DEPARTMENT	DESIGNATION	DATE
OFFICE OF THE MUNICIPAL MANAGER	COMMUNICATIONS OFFICER	30 /10/2010
CORPORATE SERVICES	SENIOR ADMIN OFFICER	30 /10/ 2010
CORPORATE SERVICES	SECRETARY: MANAGER: CORPOATE SERVICES	30/10/2010

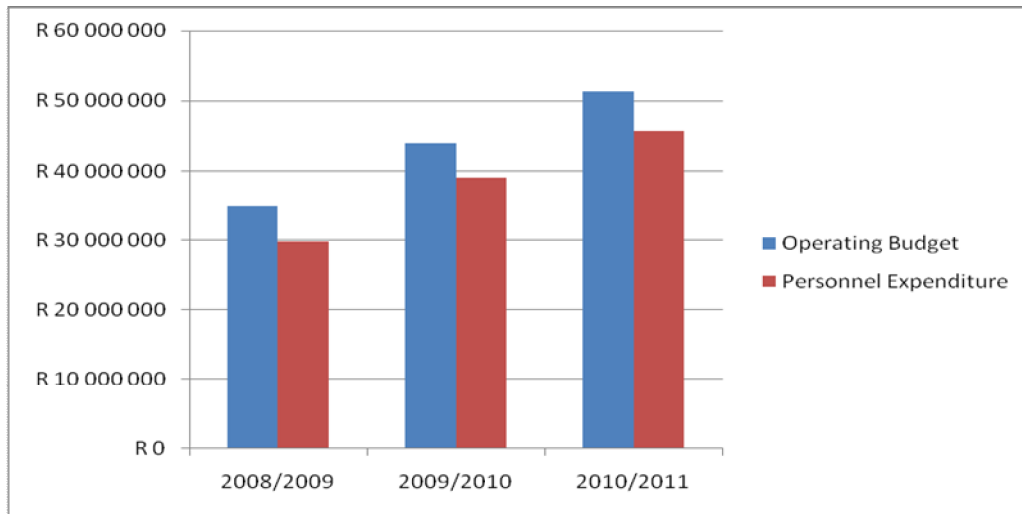
The table below is the graphical representation of staff turnover during the year under review:



The table below depicts the trends on total personnel expenditure of the past three financial years, viz. 2008/2009; 2009/2010 and 2010/2011:

Financial Years	Total number of staff	Total approved operating budget	Personnel expenditure (salary & benefits)	% of expenditure actual VS budget
2008/2009	205	R 34 854 187	R 29 805 862	85, 51%
2009/2010	227	R 44 000 000	R 39 028 185	88, 70%
2010/2011	236	R 51 392 359	R 45 642 698	88, 81%

The following is a graphical representation of the trends in the total personnel expenditure for the past three financial years:



1.7. ORGANISATIONAL STAFF BENEFITS

1.7.1. NUMBER OF MEDICAL AIDS AND BENEFICIARIES

The tables overleaf depict Medical Aid Administrators and Pension Funds and Beneficiaries during the year under review:

MEDICAL AID	NUMBER OF MEMBERS
HOSMED	95
SAMWUMED	25
BONITAS	19
LA HEALTH	14
KEY HEALTH	01
TOTAL	154



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ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

AND BENEFICIARIES

PENSION FUND	NUMBER OF MEMBERS
SAMWU National Provident Fund	33
SALA Pension Fund	160
Cape Joint Retirement Fund	20
National Fund for Municipal Workers	1
TOTAL	214

1.8. ANNUL PERFORMANCE INDICATORS IN MUNICIPAL AND ORGANISATIONAL DEVELOPMENT

Indicator name	Total no. of employees (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year
Vacancy rate for all approved and budgeted posts;	71	30	42. 25%
Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	0	0	0
Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	5	3	60%
Percentage of Managers in Technical Services with a professional qualification	0	0	0
Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	236	105	44, 49%
Percentage of councillors who attended a skill development training within the current 5 year term	34	16	47, 06%
Percentage of staff complement with disability	7	7	100%
Percentage of female employees	165	85	51, 51%
Percentage of employees that are aged 35 or younger	85	68	80%

CHAPTER 2

BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS

2.1. OVERVIEW

The annual report is for the 2010/2011 financial year which was from 01st July 2010 to 30th June 2011. The technical services department was responsible for the following functions:

- Solid Waste Management (refuse removal, street cleaning and the solid waste disposal sites)
- Waste water management in Ugie, Maclear and Mount Fletcher.
- Provision, operation and maintenance of water and sanitation services to Ugie, Maclear and Mount Fletcher urban areas
- Construction and maintenance of roads and storm water
- Distribution, operation and maintenance of electricity in Ugie and Maclear
- The Mayor's project called Elundini mass job creation project

The municipality commenced with the first phase on construction of municipal offices which was completed in August 2011. A budget of R 6,816,551.81 for direct and indirect costs was spent. The first phase has accommodated the finance department and the strategic planning and economic development department providing access to 12 offices. The municipal stores were also constructed as part of the first phase and as well as storm water management on the municipal precinct.

During the adjustment budget, the municipality launched a project called mass job creation driven from the Mayor's office and implemented from the Infrastructure planning and development department. This project commenced on 1 March 2011 to 30 June 2011. The summary of the project is as follows:

People employed	96 (94 in June 2011. One student resigned and the other student was moved to another project)
Payment made on salaries	R 774, 320.00
Total mendays	7,479
Progress implementation	1 Mar 2011 to 30 June 2011

This project benefited and focused on the community of Elundini for a period of four months. It focused only on the three municipal towns. The job creation project has been budgeted for the next three financial years i.e. 2011/2012 to 2013/2014. The 2011/2012 budget would be R3 million and the project will be rolled out to the entire municipal area. The job creation project also seeks to address sustainable service delivery in roads maintenance, solid waste management and greening of towns. During the financial year under review, there was no dedicated person to implement the job creation project; however, the municipality adopted a revised organizational structure which accommodates a dedicated person to manage the job creation project within the PMU.

The municipality participated in the EPWP programme through projects implemented by the infrastructure planning and development and this resulted in the institution benefiting from the incentive grant. The grant will be transferred in financial year 2011/2012 and we have signed the incentive grant agreement. EPWP reporting will continue for all job generating projects to ensure that the municipality benefits from the incentive grant.

ship with the provincial department of roads and public works on regravelling and maintenance of roads and storm water. Various meetings were held to conceptualise the service delivery agreement between the municipality and the department. The agreement would focus on roads irrespective of whether they are municipal roads or provincial roads. A pilot study area in the northern municipal area was adopted by Council in January 2011. A lot of detailed assessment was undertaken by the department and a three year plan for regravelling and maintenance to ensure that the Council decision would be operational. The agreement would be finalised by September 2011.

The municipal organization structure was reviewed and adopted by Council. The revised structure accommodates a revenue protection unit within the electricity section to ensure maintained reduction in electricity losses until the municipality achieves the required 10%. The unit will ensure that the 10% allowable losses are maintained and that they are not exceeded.

The three year infrastructure capital implementation plan was reviewed and adopted by Council with the budget.

The critical position of the Waste management officer was filled in May 2011. All vacant posts due to deaths, retirement and resignations were filled.

2.2. PROJECT MANAGEMENT UNIT

The unit was established in 2008 and the first business plan approved by COGTA in 2008. PMU funding comes from the MIG wherein 5% of the grant is dedicated for the overall PMU support. The unit had two civil engineering technicians and a project accountant. The two civil engineering technicians resigned during March 2011. A PMU Manager was appointed in June 2011 as well as one civil engineering technician. The second civil engineering technician and the job creation coordinator will be appointed by September 2011. This implies that the PMU section will be fully functional since all key positions will be filled.

The PMU business plan for 2011/2012 financial year was submitted and approved. These appointments will improve quality of the infrastructure services rendered to communities as well as community participation. The primary objective for the PMU is to successfully project and contract manage MIG funded projects and other capital projects. The MIG fund was 100% spent in June 2011.

2.3. SOLID WASTE MANAGEMENT

The objective of this function is to primarily ensure that the municipal towns are kept clean and to promote a sustainable healthy environment. Another objective is to maintain and operate municipal permitted waste disposal sites as per the conditions of the permits. All three towns have permitted waste disposal sites. Solid waste management services were rendered in the urban areas only. The rural areas dispose their waste in the traditional fashion of digging pits and often burning waste from the pits.

In the business area, waste was collected daily and in residential areas waste was collected once a week. Waste was collected randomly following requests by the business customers. It was difficult to maintain the set standards for the solid waste management value chain due to breakdowns and staff shortage. The status quo in relation to available resources remained the same in the section.

for drivers, general workers and limited tractors) in rendering this service. Often times, casually employed personnel assisted the municipality in carrying out the service. From March 2011 to June 2011; 45 people were employed to assist with illegal dumping, street cleaning and refuse removal through the Mayor's project call mass job creation. Through this project cleansing in town and townships improved.

Street cleaning focused on the main streets of the three towns and areas where there was illegal dumping. The teams would from time to time also focus on other streets in the towns. This made a huge positive impact to the cleanliness of the towns. Informal trading on the street sidewalk and car parking remains a huge challenge in keeping the streets clean.

The municipality has three solid waste disposal sites, one in each town. There is no recycling taking place in any of the sites however; a business plan was submitted to DEDEA for construction of a recycling post in Ugie. The business plan included construction of necessary infrastructure at the Maclear landfill site to enable the site to function as a transfer station. All solid waste sites were rehabilitated, patched fencing where necessary and repaired the guard houses. The landfill sites remain a challenge in terms of proper management and operations and there was continuous vandalism on the sites. There was no maintenance and operational plan for the sites. The communities continue to scavenge in all solid waste disposal sites.

A section S78 study which commenced in 2008/2009 was still in progress. The documentation for procurement processes was completed. It is anticipated that the private partner will commence in January 2012.

2.4. WATER AND SANITATION

The Elundini Municipality was a water services provider responsible for operation and maintenance of bulk infrastructure and reticulation in Maclear and Mount Fletcher, and reticulation only in Ugie. The municipality was also responsible for water purification. Ugie bulk and purification was the responsibility of the district. Rural water and sanitation was also the responsibility of the district.

Around September 2010, the district informed us that they were taking over all bulk infrastructure. As a result the municipality took a Council resolution that the entire water and sanitation function be transferred back to the district. In March 2011, the council took another decision to reverse the council resolution on transferring the entire service. To date the WSP/WSA relationship has not been clarified. There were no capital projects implemented during the financial year since the municipality had no budget to carry out minor works.

There are house connections in Sithole and Vincent; however, there are still buckets due to poor plumbing residents opted to go back to the bucket system. All reported leaks were repaired within a day and all burst pipes are replaced within a day. Covered meters were exposed as they were reported. Bulk water meters were installed in all towns for untreated water from the source and treated water from the plant. As from the financial year under review, the municipality commenced with the calculations for water losses which were around 31%. Water quality and monitoring was carried out and results were acceptable in most cases. However; control of turbidity during rainy seasons remains a challenge in all three towns. There were challenges around water purification due to inconsistent availability of the district process controllers.



etcher was completed. The plant was not functional yet due to power supply. The plant was finally switched on for testing in August 2011. It is anticipated that by end of September 2011, the plant would be functional.

Major challenges facing the municipality in carrying the service were:

- Insufficient water sources in Maclear and Ugie. Mount Fletcher has a newly constructed dam and treatment plant which is not operational as yet.
- In Maclear, there is an old package treatment plant which result in poor water quality at times due to limited capacity, shortage in qualified and experienced personnel. The design capacity for the package plants is far exceeded and this is contributing to the compromised water quality at times.
- Provision of services to invaded land e.g. Polar Park in Maclear.
- Shortage of qualified process controllers in the water treatment plant and waste water treatment plant
- Maclear and Mount Fletcher do not have storage reservoirs which poses a serious threat. This leads to poor maintenance of the reservoirs and non-availability of water from time to time.
- There are overflowing sewerage ponds in Maclear which can be resolved by pumping and diverting the flow to the recently completed waste water treatment plant. Vincent also needs to be connected to eliminate unnecessary overflowing conservancy tanks.
- In Greenfields, there are frequent pipe blockages in the system.

Water quality monitoring at the water treatment works in Ugie and Maclear was carried out two hourly for testing turbidity, pH and the chlorine. In Mount Fletcher test were taken daily to check chlorine. From the test, water boil notices were issued each time the results showed ecoli.

2.5. ROADS AND STORMWATER

The municipality allocated R 3 261369.66 for roads construction and rehabilitation in Maclear. The project was practically complete as at June 2011. Construction of roads was primarily funded by the Municipal Infrastructure Grant which was spent 100%. The following road projects were implemented including community facilities:

Ward no	Project name	Length	Status at 30 June 2011
12	Construction of Mahanyaneng Access Road	4.7km	Complete but bridge approaches were washed away during the heavy rains.
2	Rehabilitation of Ugie streets - Ntokozweni	5km	Tender stage – project awaiting a court judgement
9,15	Access Road & Bridge Lehana High School	4.7km	Complete
9	Mount Fletcher access road	4.7km	Practically complete. Service providers were terminated due to poor performance.
4	Alterations and Renovations to Maclear Town Hall	1	complete
12	Mangoloaneng access road	10km	Under construction
4	T83 to Matugulo via Tsikarong	6.9km	Complete
7	Maroqa to Sophonia (later extended from R56 to Maroqa)	21km	10km complete, 11km commenced in August 2011



ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

	Mount Fletcher	1	Tender stage
11	Dengwane access road	7km	Tender stage

The maintenance team is continuously doing pothole patching and dry blading.

There were two ECDC funded roads and storm water projects in Ugie. The projects are as follows:

Ward no	Project name	Status at 30 June 2011
2	Truck stop roads and storm water	Under construction, progressing well.
2	Completion of roads and storm water at Prentjiesberg	The contractor was appointed and after that the project was on hold following a high court order.

2.6. ELICTRICITY

The municipality has a distribution license for Maclear and Ugie urban areas with small areas in townships that belonged to Eskom. The municipality submitted the NERSA distribution forms which primarily report on the operations and maintenance of the area for which we have a license including costs incurred. NERSA approved the municipal tariffs following submission of the D-forms. DME and the municipality embarked on solar programme as an interim measure for rural electrification. DME appointed a service provider to implement the solar program without the presence of a consultant for monitoring which led to other challenges and the roll-out being slow. There were 2688 customers installed for solar services to date.

The Ugie electricity master plan is almost complete. The installation of 29 high mast lights in Ugie is complete and the project is under retention. These two projects will improve the quality of supply the safety in the area. All household in the area where we have a distribution license have access to electricity except about 100 households which were recently established. R1 million funding was received from Department of Energy for the electrification of the 100 houses, the project is under tender stage.

Electricity losses were fluctuating during the financial year. The average for electricity losses was 35%. There was no revenue protection unit for continuous monitoring of distribution losses and this remains a challenge. A dedicated unit to revenue protection will be established to ensure maintenance of losses within the required and acceptable range (10% to 15%). Inaccurate data in the system is a contributor to these losses as it serves as a baseline for information utilized for electrical losses.

Unscheduled electricity supply interruptions were resolved within 24hours and there were no exceptions. We also achieved to purchase working equipment and tools for the electrical staff. All budgeted vacant posts were replaced.

The municipality purchased a cherry picker which was delivered in August 2011. This will improve the pace at which the street lights are maintained. An interim agreement was reached with Eskom that Elundini municipality will work under their supervision for the maintenance of Mount Fletcher street lights. Eskom Maintenance will commence in financial year 2010/2011. All street lights and 193 street lights and 6 out of 8 high mast lights were fixed in Maclear.

ated during the 2008/2009 financial year:

PROJECT NAME	FUNDED BY	APPROVED BUDGET	WARD	STATUS QUO
Ugie master plan	ECDC/DoE	R16 527 293.25	2/4	Under construction
Ugie high mast lights	ECDC	R8 281 966.95	2	Under construction

2.6. HOUSING AND SPATIAL PLANNING

(a) Housing and Town Planning Service delivery strategy and main role players.

According to Housing Code 2009, the vision of housing centres around establishment of viable, socially and economically integrated communities located in areas that allow convenient access to economic opportunities, including health, educational and social amenities. This vision emphasizes the deliberate role of spatial planning that leads to the creation of:

- Permanent residential structures with secure tenure that ensures internal and external privacy; and providing adequate protection against elements.
- Provision of potable water, adequate sanitary facilities and domestic energy supply.

The vision is underpinned by the principles of sustainability, viability, integration, equality, reconstruction and good governance.

Municipality has responsibility to facilitate housing development in its area of jurisdiction, although housing as a competence falls within National and Provincial spheres of government.

Because beneficiaries reside within Municipal areas, it is imperative that the municipality:

- Identifies through Spatial Development Framework (SDF) and procure suitable land for housing development.
- Determines housing demand within its area of jurisdiction and keep on updating the database thereof.
- Administers and verifies prospective beneficiary applications.
- Supports local contractors and manufacturers to encourage business development and empowerment of the sector (SMMEs).
- Co-ordinates and plans with all key role players regarding bulk and reticulation of services; thereby integrating development, and creating an enabling environment of sustainable human settlements.

(b) Municipal objectives with respect to housing development

In terms of the National Housing Act, 107 of 1997 Municipalities are expected to inter alia:

- Set housing delivery goals.
- Create and maintain a public environment that is conducive to housing development which is financially and socially viable.
- Initiate, plan, facilitate, coordinate, promote and enable appropriate housing development in its area of jurisdiction.

projects by developers in line with rules applicable to that.
participation of other role players in the development process.

The Provincial Department of Housing is the major role player in Housing Development, where after receiving the information (as application for housing development) by the Municipality as per the responsibility highlighted above, considers and approves the same. Such approval should be accompanied by funding allocation for the projects applied for. As per the vision explained above, housing is not just shelter over the beneficiary's head, but access to socio-economic opportunities, complementary facilities and amenities, qualitative services and security of tenure.

Spatial Planning is a precursor to all land use and services in development and its role cannot be over emphasized. It determines suitability of land for use, establishes availability of land for development, and acquires land for development where necessary. It is also worth noting that, spatial planning ensures assessment for environmental impact in relation to proposed development. It is for this reason that spatial planning is a municipal function that deals with spatial expression of development initiatives.

Various actors are therefore responsible for the delivery of each relevant service within their competences.

(c) Level and Standards in Housing, Urban and Regional Planning Services

The Municipality sets the department's strategic objectives and determines the performance criteria. The responsibility of the detailed planning and implementation of the set objectives are within certain risk parameters, while the municipal structures are consistently tasked with monitoring the progress towards achievement of set objectives and compliance with legislation and policies.

For the year under review strategic objectives were to:-

- Facilitate housing delivery within Elundini local municipality in both urban and rural areas.
- Strengthen beneficiary administration and management through regular update of demand database.
- Obtain Council approval for housing development project by Joe Gqabi Development Agency
- Submission of Maclear middle income housing application to Joe Gqabi Development Agency.
- Completion of title deed handing over for Ugie low income housing development.
- Submission of three rural housing development business plans to the department of Human Settlements.

While housing demand surpasses supply by far, there are consistent blockages towards improving this state of affairs. These being amongst others; non-availability of land for new development coupled with absence of bulk infrastructure in Maclear and Mount Fletcher. The situation has thus led to lack of access to desired housing and urban planning services within the Municipality during the year under review.

(d) Achievements

- Council approval per resolution CON/26/2010 was obtained for the Maclear Housing Development Project by the Joe Gqabi Development Agency. This occurred as a result of approaching PG Bison in favour of land acquisition .Bison donated 90 hectares to

ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

gesture is a result of improved relations between the said municipality.

- A concept document on Maclear housing development was submitted to the acting CEO in October 2010. The concept detailed the housing demand vis-à-vis the supply that is limited by the unavailability of land for development at Elundini in general and Maclear in particular. The concept further projects the housing demand in the next three years and beyond. The Development is also advised on the institutional arrangements to employ; so that the local municipality is supported economically through this project.
- At the close of the third quarter (end March 2011) of the 2120 Ugie title deeds 1531 (incremental) were handed over to beneficiaries thereby translating to 79% success. The 21% remaining titles are made up of 174 untraceable and 112 unknown beneficiaries. The ward councillor has been advised to engage community members to encourage the “would be” beneficiaries to claim the title deeds before the re-allocation of the remaining deeds to other needy residents.
- The Department of Human Settlements has been provided with the requisite information i.e. Council Resolution by the municipality and this substitutes housing development application as per their new approach to new applications. This resolution pertains to the rural areas of Mqokolweni, Mbidlana Siqhungqwini and Kuebung. The municipality keeps on reminding the Human Settlements Department of the awaited response.
- All processes leading to the sale of the 15 middle income residential sites in Maclear have been completed, awaiting the final procurement decision to be communicated to the successful applicants to pay for their sites.
- Geotechnical survey report on Thembeni (Mt. Fletcher) has been completed. It reveals that approximately 2 405 low income units can be built. When implemented this is going to be a major breakthrough since there has never been housing development in Mt. Fletcher since 1994.
- Council approval to partner with private sector to develop 120 middle income housing in Ugie has been obtained.
- Council approval to engage private sector in the development of 160 commercial sites in Ugie, one (1) in Maclear and a business complex in Mt Fletcher was also obtained.

(e) ANNUAL PERFORMANCE AS PER KEY INDICATORS IN HOUSING AND TOWN PLANNING

	Indicator Name	Total Number of household/customer expected to benefit	Estimated backlogs (Actual Numbers)	Target set for the F. Year 2010/11	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households living in informal settlements	5188	5188	2648	2648	51
2	Percentage for informal settlements that have been provided	5188	0	0	5188	100



3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses	8341	250	250		
4	Title deeds issued to eligible beneficiaries					

(f) (i) Major Challenges in housing and Town Planning and Remedial Action

- Housing is not the function of the Municipality and there is no housing unit in place and there's only one functionary incumbent in the division.
- Slow and cumbersome procedures followed in housing development and formalisation of townships (human settlements)
- Shortage and or absence of land for development purposes in the semi urban areas compounded by unavailability of bulk infrastructure services especially in Maclear and Mount Fletcher.
- Delays to submit additional rural housing applications to the Department of Housing for approval due to internal capacity challenges.
- Delays in implementation of approved housing development projects including that of rectification programme i.e. Maclear 250 by Housing Department.
- Non-registration of Elundini building contractors with the National Home Builders' Registration Council (NHBRC)

(ii) Remedial Actions

- Continued facilitation of housing development and capacity building programs
- Continued delivery of outstanding title deeds to their owners
- Facilitate acquisition of land for development within Elundini.
- A new service provider has been approached to prepare business plans for the new additional rural housing projects
- Encourage the Department of Human Settlements through political intervention to expedite Maclear 250 rectification so that the local contractors participate to their benefit.
- Encourage Elundini's building contractors to register with NHBRC to increase their eligibility to participate in building projects at Elundini and beyond.

(a) Preparation and approval process of Spatial Development Framework (SDF)

The Spatial Development Framework was adopted by Council during May 2008, having the following objectives which remain relevant currently:-

- To provide a coordinating municipal spatial framework, to dovetail public and private sector investment towards a common vision and set of objectives.
- To provide a fairly focused framework that gives direction to all other development agencies regarding priorities of local government, in line with stimulating economic development opportunities in rural and urban areas.
- To make investment programs more efficient through channelling resources to areas of greatest need and development.
- To provide opportunities for creating an environment within which communities and the private sector can operate more meaningfully to achieve sustainable growth in the Municipal jurisdiction.
- To protect natural environmental systems while avoiding duplication of efforts by different departments and spheres of government.

The Spatial Development Framework has:-

- Identified main nodes of activity and development potential in the urban and rural areas, while supporting equitable protection of rights to and in land.
- Identified key spatial development issues and promote sustainable land usage.
- Formulated key principles of spatial development and restructure spatially inefficient settlements.
- Set out broad development scenarios
- Achieved alignment with the National Spatial Development Framework, the Provincial Spatial Development Plan (2003) and set out development priorities spatially.

Lastly but not least, the spatial development plan enshrines formulation of management principles and criteria for spatial development decisions, prioritize key actions for implementation and guide investment decisions.

(b) Land Use Management and Zoning Information

During the year under review the following has been achieved:

Plan No.	TOWN	Date Approved	Erf No.	Owner	Floor Area res m ²	Floor Area Buss m ²	App fee	Zoning	Classification
11	MACLEAR	2010/7/6	174	A. SMIT		54.0	840.00	BUSINESS ZONE 01	EXTENSION
12	UGIE	2010/9/1	428	STANDARD BANK SA		16.0	655.00	BUSINESS ZONE 01	EXTENSION
13	MT FLETCHER	2010/9/8	266	MRS GUMEDE		89.0	1,009.00	GENERAL BUSINESS	SHOP
14	MACLEAR	2010/9/20	2406	E. BUYEYE	133.0		1,223.00	RESIDENTIAL ZONE 1	DWELLING
15	UGIE	2010/10/21	559	H. LE ROUX	16.0		655.00	RESIDENTIAL ZONE 4	EXTENSION
16	MACLEAR	2010/10/29	2119	E. GIBISA	52.0		R 830.00	RESIDENTIAL ZONE 1	EXTENSION
17	UGIE	2010/12/9	423	E. BEZUIDENHOUT	204.0		R 1,664.00	RESIDENTIAL ZONE 1	DWELLING
18	MT FLETCHER	2010/12/9	223	METHODIST CHURCH	352.0		R 2,285.00	SPECIAL RESIDENTIAL	CHURCH
19	MACLEAR	2010/12/9	192	Z.GAMBULA	155.0		R 1,409.00	RESIDENTIAL ZONE 1	DWELLING
20	MACLEAR	2010/12/13	2110	E. QHANQISO	157.0		R 1,420.00	RESIDENTIAL ZONE 1	DWELLING
21	UGIE	2010/12/14	3463	N.HLULANI	122.7		R 1,243.00	RESIDENTIAL ZONE 1	DWELLING
22	MACLEAR	2011/1/13	54	A. COETZEE	110.0		R 1,178.00	RESIDENTIAL ZONE 1	DWELLING
23	UGIE	2011/3/10	5429	BJB PROJECT SERVICES	64.0		R 942.00	AGRICULTURAL	CELLC TOWER
24	MACLEAR	2011/3/14	2516	SM CHILOANE	256.0		R 1,931.00	RESIDENTIAL ZONE 1	DWELLING

(c) (i) Major Challenges in spatial planning services and remedial actions.

- Inability to attract and retain spatial planning professionals; presumably due to the remoteness of Elundini and financial constraints.
- Land invasion keeps on mushrooming in the urban fringes of Maclear and Mount Fletcher.
- Unavailability of land for development coupled with lack of bulk infrastructure services cripple and retard development particularly in Mount Fletcher and Maclear urban areas.
- The dispersed nature of households and settlement patterns, characterised by huge infrastructure backlogs in the rural areas is a major development set back.
- All the above mentioned challenges lead to inability to attract investors to Elundini, consequently no serious investments respond to calls for land use proposals.
- Environmental impact analysis and formalization of informal settlements take very long time to materialise.
- Inadequate Implementation of relevant compliance with regulations such as:

- Lack of funding of planning related projects
- Expediency in communicating council resolutions is lacking

(ii) Remedial Actions

- Prioritise resourcing this component and appoint professionals and retain them.
- Continue to take legal action against land invaders- and make budgetary provision for this issue.
- Continue to engage neighbouring farmers, land owners and custodians to release land for development. This endeavour should be supported by the Department of Rural Development and Land Reform.
- Continue to implement Rural Development Strategy in collaboration with all spheres of government and all other relevant stakeholders responsible for its development pillars.
- Escalate to Local Government MUNIMEC the urgency of expediting land development applications submitted to them in terms of Ordinance 33 of 1934.
- Lobby for more funds for this function.
- Encourage prompt and expeditious communication of Council Resolutions.

2.8. IMPLEMENTATION OF MIG FOR THE YEAR UNDER REVIEW

This section aims at providing a detailed summary of all activities, challenges, achievements and financials during the implementation of the MIG 2009/10 financial year.

According to the approved DoRA allocation, the following amounts are allocated to the MIG programme for Elundini Local Municipality for financial years 2008/09 – 2010/11

Municipal Financial Year (July – June) Provincial Financial Year (April – March)

- 2008/2009: R 12,015,000.00
- 2009/2010: R 16,124,000.00
- 2010/2011: R 18,680,000.00

2.8.1. CHALLENGES IN THE IMPLEMENTATION OF MIG

- Internal Departmental and DEDEA delayed the EIA approval on the project;
- Internal capacity and systems limitations, with specific reference to the implementation of the Municipal Financial Management Act and procurement of goods and services;
- Late approval of projects by DPLG;

2.8.2. ACHIEVEMENTS IN THE IMPLEMENTATION OF MIG

- All the projects implemented were completed in time without having labour problems and the community benefited from all them in terms of job creation, and offered a basic (but sustainable) level of service.
- All the MIG allocation was spent in full within the financial year (end March 2010).



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located within the MIG conditions and the municipality managed to use SMME's and local labourers.

- In some of the projects, local labourers received training but the municipality plan to create more training opportunity in the next financial year 2010/11. Labour intensive construction was utilized, but full of EPWP is still in process. A more proactive role of the EPWP, SMME and HR units is required.
- Multi-year planning was done successfully and a smooth transfer in financial years has been done.

2.8.3. MIG PROJECTS FOR 2010/11

PROJECT DESCRIPTION	CONTRACT AWARD VALUE	EXPENDITURE TOTAL	BALANCE ON CONTRACT VALUE	PROJECT STATUS
Ntabelanga Access Road	R 726 928.41	R 579 462.25	R 147 466.16	80% Retention Stage
Mt Fletcher Town Hall	R 1 209 682.81	R 1 169 384.50	R 40 298.31	Retention
Mahanyaneng Access Road	R 3 732 147.93	R 3 293 015.77	R 439 132.16	94% Retention Stage
Maclear Town Hall	R 1 720 961.72	R 1 380 258.47	R 340 703.25	80% Retention Stage
Mparane Access Road	R 570 000.00	R 550 612.02	R 19 387.98	97% - Retention Released
Moroga to Sophonia	R 6 110 718.11	R 4 688 337.41	R 1 422 380.70	77% Under Construction
Matugulo Via Tsikarong	R 4 597 917.00	R 3 649 639.94	R 948 277.06	79% Complete - (Bridge Outstanding)
Regravelling of Lehana Access Road	R 3 776 718.05	R 3 606 761.16	R 169 956.89	93% Retention Stage
Ugie Streets	R 1 763 878.66	R 1 042 112.83	R 721 765.83	12%
Mt Fletcher Access Road	R 1 584 895.47	R 705 445.90	R 37 696.89	45% Construction Stage
Zwelitsha Sondaba and Tsolobeng	R 1 197 461.07	R 964 358.46	R 233 102.61	81% Retention Stage
Ward 1, 5 and 6	R 2 145 137.41	R 2 092 950.49	R 52 186.92	98% Retention Stage
Tinana Access Road	R 2 114 000.00	R 1 955 001.38	R 158 998.62	92% Retention Stage
Nxotshana Access Road	R 2 099 645.16	R 1 910 187.03	R 189 458.13	91 %Retention Stage
Mangoloaneng East	R 6 423 272.74	R 1 980 297.31	R 4 442 975.43	31%Construction Stage
TOTALS	R 39 773 364.54	R 29 567 824.92	R 9 363 786.94	



2.8.4. EQUITABLE SHARE PROJECTS FOR 2010/11

PROJECT DESCRIPTION	CONTRACT AWARD VALUE	EXPENDITURE TOTAL	BALANCE ON CONTRACT VALUE	PROJECT STATUS
Municipal Offices	R 7 410 046. 13	R 6 816 551. 81	R 593 494. 32	92% Complete-phase 2 is outstanding
Rehabilitation of Roads in Maclear	R 3 261 369. 66	R 1 116 849. 68	R 2 144 519. 98	35% Construction Stage
Advisors for Solid Waste	R 850 000. 00	R 777 685. 21	R 72 314. 79	91% Construction Stage
TOTALS	R 11 521 415. 79	R 8 711 086. 70	R 2 810 329. 09	

2.8.5. ECDC FUNDED PROJECTS FOR 2010/11

PROJECT DESCRIPTION	CONTRACT AWARD VALUE	EXPENDITURE TOTAL	BALANCE ON CONTRACT VALUE	PROJECT STATUS
Ugie Electricity Master Plan	R 17 789 627. 05	R 14 033 102. 37	R 3 756 524. 68	79% Construction Stage
Ugie High Masts	R 9 000 657. 61	R 7 838 047. 50	R 1 162 610. 11	87% Retention Stage
Ugie Truck Stop	R 9 171 868. 50	R 3 210 844. 88	R 5 961 023. 62	35% Construction Stage
Prentjiesberg	R 9 472 555. 49	R 289 923. 43	R 9 182 632. 06	3% Construction Stage
TOTALS	R 45 434 708. 65	R 25 371 918. 18	R 20 062 790. 47	

CHAPTER 3

MUNICIPAL LOCAL ECONOMIC DEVELOPMENT

Local Economic Development (LED) is an outcome based local initiative and driven by local stakeholders. It involves identifying and using primary local resources, ideas and skills to stimulate economic growth and development. LED is an ongoing process, rather than a single project or a series of steps to follow. LED encompasses all stakeholders in a local community, involved in a number of different initiatives aimed at addressing a variety of socio-economic needs of that community.

Local Economic Development initiatives always take place in the context of the regional national and global economies. There are no physical boundaries to LED hence these larger changes impact on local economies in different ways. It is therefore important to design LED initiatives in such a way which assists local area to respond to the context alluded to creatively.

Three major roles are a responsibility of the Municipality. These are:

- ✓ **Coordination:** using the IDP as a tool to draw together these developmental objectives, priorities, strategies and programmes of a municipality.
- ✓ **Facilitation:** improve investment environment in the local area through, for example streamlining the development process or improve planning procedures and zoning regulations.
- ✓ **Stimulation:** Municipality has a role to stimulate business creation or expansion.

BROAD OBJECTIVES OF LOCAL ECONOMIC DEVELOPMENT

- ✓ Increase the contribution of Small Enterprise to the growth of the Regional (District) economy.
- ✓ Create an enabling environment for Small Enterprises through levelling the playing fields between the big business and small enterprises.
- ✓ Reduce disparities between urban and rural enterprises and promote entrepreneurship in the local economies.
- ✓ Ensure equitable access and participation in terms of gender, disabilities, geographic location, sector and race.
- ✓ Increase competitiveness of small enterprise sector so that it is able to take advantage of opportunities emerging from Regional, Provincial National (and beyond) markets.
- ✓ Facilitate creation of sustainable long term jobs within Elundini.

Nearly every effort to develop a local economy will require some input, participation and support from the municipality.

TO LOCAL ECONOMIC DEVELOPMENT

In terms of the Constitution of RSA Act 108 of 1996 Local Economic Department is presented as one of the objects of Local Government; whereby it is mandatory for a municipality to promote social and economic development within the area of its jurisdiction. Local government therefore is charged with ensuring that a conducive environment is created for the development and growth of the local economy.

During the year under review, the objectives were:

- To promote economic development and poverty alleviation through:
 - ✓ Facilitation of job creation initiatives
 - ✓ Provision of support to SMMEs in Agriculture ,Forestry, Tourism, Arts and Craft
 - ✓ Development of a comprehensive documentary that will serve as a marketing tool for tourism in the area, thereby making Elundini a tourism destination of choice.

ACHIEVEMENTS

Three job creation projects launched:

1. Elundini Water Feasibility Study costing R500 000 granted by DEDEA was launched on 08/10/2010 and it created two short term jobs for field workers. Two school competitions were run for grade (11) pupils to create eye catching labels for the water project. Maclear High's Ms Ndakisa gave the best and received R500. 00 in cash likewise her school as an encouragement of involvement and participation in the municipal business. A further application for R2 million was submitted to DEDEA for the project implementation in January 2011, thereby expecting to employ 25 more people permanently. No response has been received yet regarding the application, possibly due to under expenditure of the previously allocated grants.
2. Elundini Women Hospitality Cooperative costing R468 606 granted by European Union was launched on 12/10/2010 provincially. This cooperative has (14) fourteen members owning accommodation establishments, 75% of whom are women. These establishments on average employ three workers each depending on their size and frequency of receiving guests. A total of 42 jobs are existing with indirect benefit to 252, others at an average of a family of 6 members. This project was again launched locally on 18 May 2011
3. Elundini Furniture Manufacturing Enterprise was granted R2.5 million by DEDEA and was launched by the District Mayor during the political outreach on 29/10/2010. Thirteen furniture technicians have been trained though the project and they have since registered as a cooperative. Apart from the Board of Directors, the permanent staff component will be 28 and indirectly benefiting 178 others

Support provided by the municipality to the following clientele in the form of facilitated training by training providers on various areas of their needs as per needs analysis survey undertaken by the municipality:

Tourism Sector : In Elundini Women's Cooperative, 12 and 14 members were trained on 13 and 14 September 2010 respectively on marketing by Tourism Enterprise Partnership (TEP) assisted by the Joe Gqabi District Municipality. This translated into 93% given support on marketing

Agriculture : Of the 24 primary cooperatives under Siluqilima Secondary Cooperative (mainly agriculture and social services) 16 were trained by the Department

and ZMT Consulting on 30 November 2010, thereby providing of agricultural and social services SMMEs.

Informal Traders: In total 108 participants were workshopped on the informal traders' policy on 20 September 2010 and in April 2011 respectively by Afesis Corplan; a service provider appointed to develop Informal Traders' Policy.

General SMME Sectors: Combined Sector SMMEs have been trained by ECDC on 14-15 October 2010. By SEDA on 24 and 25 November 2010 on entrepreneurship and cooperative programmes respectively.

Emerging Contractors : ECDC conducted two seminars, one in February 2011 and on 10 March 2011.

- ✓ A comprehensive documentary (in the form of brochures and video film) which is a tool to market Elundini as a preferred destination of choice was successfully developed by East Cape Publishing. These products served in the International Tourism Indaba held in Durban during May 2011.
- ✓ Hawkers' Policy funded by European Union has been completed and ready for adoption by Council in the new year.
- ✓ Mount Fletcher Hawkers' Stalls- 14 have been constructed in Mount Fletcher to accommodate 28 hawkers.
- ✓ Survey of formal businesses in the towns of Mount Fletcher, Maclear and Ugie has been completed totalling to 198 businesses. The survey results will enable resuscitation of business licensing and regulation in the towns, and attending to by-law implementation in this arena.
- ✓ Launch of Comprehensive Rural Development pilot project at Mqokolweni on 13 May 2011 under the auspices of Agriculture and Agrarian Reform Department, Joe Gqabi District Municipality supported by Elundini Local Municipality.

CUMULATIVE DATA BASE OF SMMES INCLUDING COOPERATIVES

No.	Name and Surname	ID Number	Cell No.	Gender	Area
1.	Nomsa Sobhayi	770512 0824 088	0737623264	Female	Maclear
2.	R.J Machabe	590327 5194 082	0722538088	Male	Mt Fletcher
3.	Aphinda Chubeka	880314 5868 088	0737543033	Male	Ntywenka
4.	L. Dlaza	830819 5840 086	0730400730	Male	Mt Fletcher
5.	Siphokazi Majiza	800115 0713 089	0787643583	Female	Somerville
6.	Nyathela Themba	570508 5642 089	0837169621	Male	Maclear Upper Tsitsana
7.	Nomabhulu Magadla	611118 0168 089	0788877192	Female	Maclear
8.	Lwandle N. Mqhedlana	630827 5932 086	0791291970	Male	Mt Fletcher
9.	Zukiswa Magadla	710824 0621 080	0791459947	Female	Maclear Ngxaza
10.	Chubeka Mzimkhulu	810611 5779 081	076 1528926	Male	Ntywenka
11.	Mkhuphukeli Macetyana	831225 5968 084	0739063889	Male	Mt Fletcher
12.	Lebohang Lagabane		0793266302	Male	Mt Fletcher



Organization	Contact Names	Contact Numbers	Ward	No of women	No of men	No of Youth	No of Disabled
1. Masibulele Veg & Piggery	1. Veronica N. Klaas 2. Nonkosi Ntshikilana	082 093 3745 076 585 8428	06	4	1	1	0
2. Masibulele Youth 4 'H' Veg & Piggery Project	1. Beauty Ndum-Ndum	076 423 3512	06				
3. Taung Project	1. Keneuoe Mlongoana 2. Shloloko Matelang	072 554 9257 079 438 7845	15	8	4	4	1
4. Zibenzazibudla Project	1. Nosayini Ntotho 2. Ntombikayise Mabindisa	076 967 0802 072 438 4509	12	6	0	1	0
5. Zamokuhle Project	1. Malebohang Mesilana. 2. Sonwabo Ndlela	072 212 8784 0714780036/ 0825304675	12	5	0	3	0
6. Itekeng Poultry Project	1. Jack Thafeni 2. Bhokinkosi Macingwana	072 881 7462	12	7	4	1	1
7. Mhlangeni Pre-School	1. Nontsapho Mpathi 2. Yolisa Ntozakhe	072 997 9055 076 740 7180	05	9	3	3	1
8. Ngcele Co-Op Limited	1. Rachel Magqogqo 2. Pumla Mcengwa	078 637 8848 073 568 8690	05	6	2	1	0
9. Gugwini Women Empowerment Co-Op	1. N. Sodawe 2. MN Mabandla	072 114 6866 082 390 1125	05	13	1	0	0
10. Nomzamo Poultry & Veg Garden	1. N. Fetumane 2. Feziwe Makade	078 473 2402 078 797 2138	05	10	5	10	0
11. Zamazama Food Security	1. Nosango Mtangayi 2. Ngeziwe Magadla	073 480 3213 083 729 2846	06	13	2	0	0
12.	1. T. Mabandla	083 218 3371	06	11	0	0	0



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		073 388 3357					
13. Masakhane Piggery Project	1. N. Leraba 2. Mazwi Api	078 678 6628 083 567 8801	03	5	0	1	0
14. Peter Mokhaba Pre-School	1. Nozanele Melane 2. Nonceba Mbaliswana	078 750 4056 078 440 6214	03	4	0	1	0
15. Nonqubela Pre-School	1. Zoleka Stemele 2. Nowethu Dywili	083 647 2017 076 125 6598	03	4	1	2	0
16. Soyisele Youth Development	1. N. Gamalitschoyo 2. Daniel Pitso	073 413 4446 072 300 5014	03	0	0	25	0
17. Ukhozi Lwempilo Community Based	1. Elizabeth Nkoyi 2. Ntombekhaya Mnyuni	073 141 3952 083 9732466	07	18	7	7	1
18. Siyazama Poultry Project	1. Maneo Leshuta 2. Madiehe Thantsi	082 507 6098 072 712 4955	08	15	3	3	0
19. Masiphakame For Aged Project	1. NN Jacobs 2. N. Madubula	078 950 5693 071 059 4636	02	0	0	5	0
20. Siyakha Youth Development	1. Babalwa Mbangani 2. Lulamile Ngxangashe	073 448 0722 083 314 3181	02	0	0	6	0
21. Masakhane Land Care Project	1. Monica Mbodlane 2. Kwana Kleinbooi	073 095 5387 083 584 7078	02	25	5	0	0
22. Siyakhula Youth	1. N. Mtshitshe 2. Luyolo Mtshontshi	078 147 9356 071 795 7491	02	0	0	10	0
23. Someleze Home Based Care	1. M. Lekhoasa 2. T. Makhaba	076 878 3955 076 912 3269	15	7	1	8	0
24. Masiphathisane Project	1. N. Ndobongwane 2. N. Mdletye	084 928 1680 072 679 0058	15	7	3	4	0



TS IN ELUNDINI

NAME OF THE ESTABLISHMENT	CONTACT PERSON	CONTACT NUMBER	FAX NUMBER
1. Noxolo's B&B	Mrs. S. Saka	073 481 9848	N/A
2. Snow Drop B&B	Mrs. Ntaba	082 638 3767	045 932 1971
3. Jacks's B&B	Mrs. Jack	073 261 5153	N/A
4. Decklans B&B	Mr. Declans	045 932 1071/ 083 2841827	N/A
5. Flinstones B&B	Mr. P Brits	045 932 1560	N/A
6. Linacusisa B&B	Mrs. Nombekela	072 397 8680/ 045 9321068	
7. Tsitsa Falls Back Packer	Adriaan Badenhorst	045 9321138/ 0730208801	N/A
8. Royal hotel		045 932 1176	N/A
9. Bob's Place	Mr Bob	045 932 1931	N/A
10. Forester Lodge		045 933 1989	N/A
11. Settlers lodge		045 932 1029	N/A
12. Woodcliff B&B		045 932 1550/ 0829251030	N/A
13. Vrederus B&B		045 932 1572	N/A
14. The Cottage		045 932 1384	N/A
15. Bluegum cottage		045 932 1675	N/A
16. Dinosaur footprints		045 932 1675	N/A
17. Wild at heart Adventure		045 932 1651	N/A
18. Arusha guest farm		045 932 1035	N/A
19. Prentjies Chalets		045 9331018	N/A
20. Rainbow retreat		045 933 1335/7	N/A
21. Sinanto B&B	Mr August	082 742 9533	045 933 1198
22. Sunrise B&B	V.J Mazwi	073 264 4443	045 933 1698
23. Ncedokuhle B&B	N.P Phakela	0732150252	
24. YY2 B&B	RM. Sigenu	0787625239	039 257 9008
25. Tibelo's B&B	Tibelo	0739043302	N/A
26. Sun City B&B	Jyamfi	0738886374	N/A
27. Mahali Restaurant		078 195 8393	N/A
28. Maloti Junction	A. Domoney	0746820819	086540876
29. Zomzi's Home For All	Miss Nkqayi	0769670179/ 0459321304	
30. Bantu Creation B&B	Mrs Songca	072 274 2498	
31. Ntonjane B&B	Mrs Siyo	0715559733	
32. Tsitsa guest house		072 4422140	N/A



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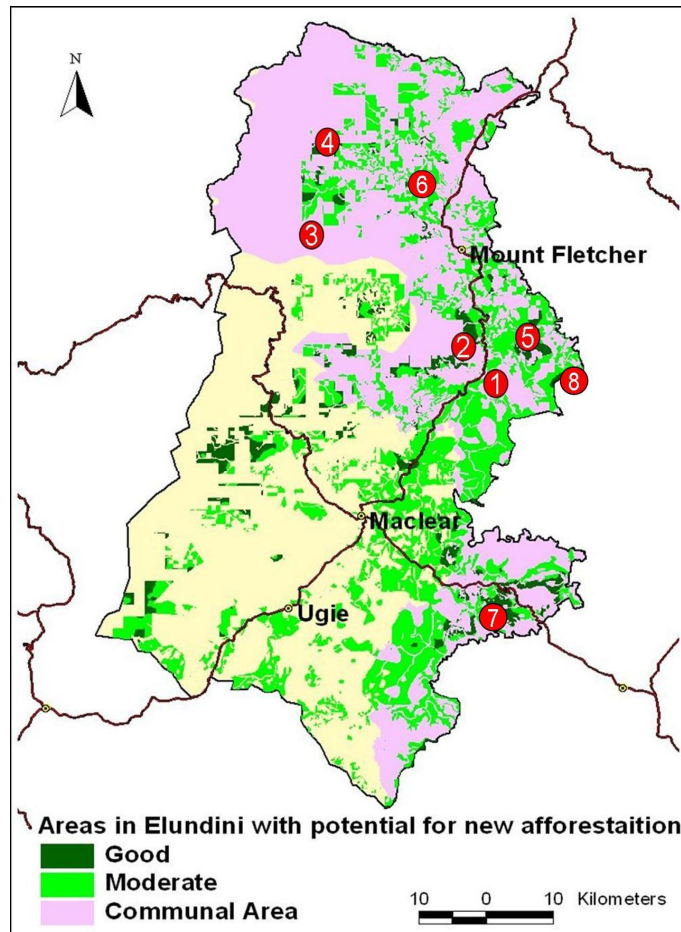
		078 134 9396	
34. Manor B&B		045 9321 439/ 071 4948505	N/A
35. Tortoni's Cottage		0825588773	N/A
36. Koack B&B	Cynthia	045 9331308/ 0827424976	
37. Kagisho-Khaumo B&B	Kholeka	0833 711356	N/A

TABLE 1: SHOWING FUNDING RECEIVED 2009/10 AND EXPENDITURE TO DATE.

PROJECT NAME	FUNDER	AMOUNT	EXPENDITURE TO DATE	REASONS FOR DEVIATION
Elundini Furniture Manufacturing Enterprise	DEDEA Municipality	R2.5m	R1.2m	Delayed by unintended unplanned construction of a workshop, refurbishment of office block, and electricity connections by Eskom. This is 85% complete for operations to start.
Mt Fletcher Hawkers' Stalls and Crafters' market	DEDEA DLGTA DEDEA	R1.9m R110 000 (additional) R700 000 (recently added)	R400,000 Both Not yet spent	Crafters' market requires R3m to construct hence additional funding had to be acquired. Hence the day. Recently approved as a result of the above reason. Change of scope of works is compulsory.
Elundini Bottled Water Feasibility Study	DEDEA	R500 000	R500 000	
Elundini Informal Traders' Policy	European Union	R434 335	R434 335	
Elundini Women's Hospitality	European Union	R468 606	R468 606	

area of commercial forestry plantations, around 80 permanent jobs could be realized and positive cash flows of R4m per year could be realized.

THE FOLLOWING FIGURE SHOWS THE LOCATIONS OF THE 7 COMMUNITIES



ROUGH LOCATIONS OF POTENTIAL PROJECTS IN ELM

1. Katkop Community
2. Chevy Chase Community
3. Bethania Community
4. Black Fountain Community
5. Nxaxa Community
6. Tinana Community
7. Ntywenka Community

The Independent Development Corporation, after receiving funding application from Rural Forest Management who was earlier commissioned by the Joe Gqabi District Municipality has in principle indicated their in-principle approval for

LOCAL ECONOMIC DEVELOPMENT CHALLENGES

- ✓ Seriously under resourced component
- ✓ Inadequate capacity particularly the number of personnel employed to initiate facilitate, support and coordinate LED programmes within the vast geographic area of Elundini.
- ✓ Low level community participation in tourism
- ✓ Absence of economic infrastructure to support investment in the area
- ✓ Lack of access of SMMEs to funding opportunities
- ✓ Available jobs not sustainable
- ✓ Community Skills do not match the economic pillars of Elundini (Agriculture, Forestry and Tourism)



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ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

ment processes leading to inability to spend allocated
plication.

REMEDIAL ACTIONS

- ✓ Continue to lobby for more developmental budget and human resources within LED through the portfolio head of department and up skilling of the already employed personnel
- ✓ Promote community participation in tourism through awareness campaigns and improved communication.
- ✓ Promote investment through planned seminars with clear recommendations with respect to infrastructure developed that will support economic development and attract investment.
- ✓ Continue to up skill SMMEs in business manage to ensure sustainable growth of their business.
- ✓ Engage the Elundini Youth to consider studying in the fields of agriculture, forestry tourism commerce and rural development and explore bursary opportunities available on the behalf.
- ✓ Municipality to adhere to strict timeframes to procure goods and services.

CHAPTER 4

MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

4.1. INTRODUCTION

Financial Management and viability in the Municipality is deemed sound, this is evidenced by the following key viability factors:

PROFITABILITY

A Surplus of R 52 200 057 was recorded for the financial year

CASHFLOW

The Municipality had a positive cash flow position as at 30 June 2011 in the sum of R 27 896 566

LIQUIDITY

Current Ratio = Current assets to current liabilities
= 50 249 597: 32 894 801
= 1.53 : 1

DEBT COVERAGE RATIO

Operating revenue – operating grants/ debt service payments due within financial year

DCR = R 152 452 415 – R 98 752 080/ R 172 102 = 312

OUTSTANDING SERVICES TO DEBTORS RATIO

Total outstanding service debtors/ annual revenue actually received for services

= R 19 064 343/ R 32 881 889
= 0.579

COST COVERAGE RATIO

Available cash + Investments/ monthly fixed operating expenditure
= R 27 896 566 / R 8 061 322
= 3.46

4.2. THE AUDITED FINANCIAL STATEMENTS



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ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

NATURE OF BUSINESS

Elundini Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996).

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Elundini Municipality includes the following areas:

Maclear
Mt Fletcher
Ugie

MEMBERS OF THE MAYORAL COMMITTEE

Mayor	NR Lengs	
Speaker	M Bomela	
Councillor	LS Baduza	Portfolio head: Corporate Services
Councillor	DD Mvumvu	Portfolio head: Community Services
Councillor	AM Mqamelo	Portfolio head: Financial Services
Councillor	TJ Lehata	Portfolio head: Technical Services
Councillor	N Nkalitshana	Portfolio head: Strategic Planning and Economic Development

MUNICIPAL MANAGER

K Gashi

CHIEF FINANCIAL OFFICER

SW Goodall

OTHER DIRECTORS

C Qotoyi	Manager: Infrastructure Planning and Development
S Matubatuba	Manager: Corporate Services
L Mqokoyi	Manager: Strategic Planning and Economic Development
L Kokose	Acting Manager: Community and Social Services

REGISTERED OFFICE

No 1 Sellar Street
Maclear
5480

AUDITORS

Office of the Auditor General (Eastern Cape)

PRINCIPLE BANKERS

First National Bank, Maclear
Standard Bank, Maclear

AUDIT COMMITTEE

N Mnconywa	- Chairperson
L Dart	- Member
G Richards	- Member
Q Williams	- Member

ATTORNEYS

McFarlane & Associates	Sodo Inc RM
Wesley Pretorius & Associates	Kirchmanns Inc
Mantyi Attorneys	Fikile Ntanyiya & Associates
Jolwana Mgidlana Incorporated	Drake Flemmer & Orsmond
O'Conner Attorneys	Nompilo Sidondi Consulting



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ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 60 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

Date



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ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

DINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	Restated 2010 R
NET ASSETS AND LIABILITIES			
Net Assets		105 746 351	53 546 290
Accumulated Surplus		105 746 351	53 546 290
Non-Current Liabilities		9 281 241	12 958 418
Long-term Liabilities	2	203 732	337 442
Employee Benefits	3	3 182 553	2 992 008
Non-Current Provisions	4	5 894 956	9 628 968
Current Liabilities		32 894 801	44 861 073
Consumer Deposits	5	205 814	151 384
Current Employee Benefits	6	5 716 078	4 281 331
Payables from Exchange Transactions	7	11 512 840	15 062 148
Unspent Conditional Government Grants and Receipts	8	15 333 461	21 358 126
Cash and Cash Equivalents	16	-	3 894 051
Current Portion of Long-term Liabilities	2	126 608	114 032
Total Net Assets and Liabilities		147 922 394	111 365 781
ASSETS			
Non-Current Assets		97 672 797	52 239 486
Property, Plant and Equipment	10	94 409 505	52 202 692
Investment Property	11	3 226 571	73
Intangible Assets	12	36 721	36 721
Current Assets		50 249 597	59 126 295
Inventory	13	177 587	145 232
Receivables from Exchange Transactions	14	18 190 954	6 005 168
Receivables from Non-exchange Transactions	15	873 389	1 896 109
Unpaid Conditional Government Grants and Receipts	8	36	313 594
Taxes	9	3 111 065	6 556 228
Cash and Cash Equivalents	16	27 896 566	44 209 965
Total Assets		147 922 394	111 365 781



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ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 R	Restated 2010 R
REVENUE			
Revenue from Non-exchange Transactions		108 750 472	74 557 762
Taxation Revenue		9 774 023	8 720 197
Property Rates	17	9 774 023	8 720 197
Transfer Revenue		98 767 079	65 737 808
Government Grants and Subsidies - Capital	18	41 753 390	19 175 618
Government Grants and Subsidies - Operating	18	56 998 690	46 467 630
Public Contributions and Donations		15 000	94 560
Other Revenue		209 370	99 757
Actuarial Gains		80 868	11 210
Fines		128 502	88 547
Revenue from Exchange Transactions		43 701 943	38 408 973
Service Charges	19	20 946 447	20 223 012
Water Services Authority Contribution	20	9 324 797	6 808 846
Plant Income		1 759 572	-
Rental of Facilities and Equipment		842 578	735 295
Interest Earned - external investments		2 362 053	3 420 150
Interest Earned - outstanding debtors		5 911 484	5 426 880
Licenses and Permits		1 423 070	1 020 328
Other Income	21	1 131 942	774 462
Total Revenue		152 452 415	112 966 735
EXPENDITURE			
Employee Related Costs	22	39 772 604	35 815 847
Remuneration of Councillors	23	6 983 480	6 708 393
Debt Impairment	24	6 939 493	22 252 942
Collection Cost		249 381	317 797
Repairs and Maintenance		2 284 436	4 416 781
Finance Charges	25	293 058	661 359
Bulk Purchases	26	11 847 738	8 597 732
Operating Grant Expenditure		6 450 787	3 991 494
Gain or loss on disposal of Property, Plant and Equipment		352 797	25 308
General Expenses	27	25 078 584	12 215 492
Total Expenditure		100 252 358	95 003 145
NET SURPLUS FOR THE YEAR		52 200 057	17 963 590



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ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Accumulated Surplus R
Balance at 1 JULY 2009	33 534 797
Prior year error restatement - Refer to note 29.15	2 047 900
Rounding	3
Restated Balance at 1 JULY 2009	35 582 700
Net Surplus for the year	17 963 590
Balance at 30 JUNE 2010	53 546 290
Net Surplus for the year	52 200 057
Rounding	4
Balance at 30 JUNE 2011	105 746 351



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ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 R	Restated 2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Rates, Services and Other		32 881 889	2 409 793
Government - operating		54 605 831	50 175 415
Government - capital		38 435 140	17 564 813
Interest		8 273 537	8 847 030
Payments			
Suppliers and employees		(96 735 866)	(57 251 936)
Finance charges		(293 058)	(661 359)
Net Cash from Operating Activities	30	37 167 473	21 083 756
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(46 640 937)	(34 528 692)
Proceeds on Disposal of Property, Plant and Equipment		347 314	-
Purchase of Investment Property		(3 226 498)	-
Net Cash from Investing Activities		(49 520 121)	(34 528 692)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Long-term Liabilities		(121 134)	(99 916)
Increase in Consumer Deposits		54 430	35 665
Rounding		4	(1)
Net Cash from Financing Activities		(66 700)	(64 252)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(12 419 348)	(13 509 188)
Cash and Cash Equivalents at the beginning of the year		40 315 914	53 825 102
Cash and Cash Equivalents at the end of the year	31	27 896 566	40 315 914

STANDARDS APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 101	Agriculture
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447)	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IAS19	
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011

ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

	from Exchange Transactions	1 April 2011
	Reporting in Hyperinflationary	1 April 2011
	Economics	
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

- GRAP 12 – Inventories
- GRAP 16 – Investment Property
- GRAP 17 – Property, Plant and Equipment
- GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
- GRAP 102 – Intangible Assets

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised)	Consolidated and Separate Financial Statements No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 7 (Revised)	Investments in Associate No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 8 (Revised)	Interest in Joint Ventures No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	Presentation of Budget Information in Financial Statements Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 25	Employee Benefits Information to a large extent is already included in the notes to the annual financial statements.	Unknown

		necessary as the Municipality has no	1 April 2012
		heritage assets.	
GRAP 104	Financial Instruments	Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 105	Transfer of Functions Between Entities Under Common Control	No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107	Mergers	No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

1.6. LEASES

1.6.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.6.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on

...nting policies relating to derecognition and impairment of
...e receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.7. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

Unspent conditional grants are recognised as a liability when the grant is received. When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance. The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised. Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.8. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.9. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

contingent liability or contingent asset. A contingent liability outflow of resources embodying economic benefits is remote.

A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

The Municipality has a detailed formal plan for the restructuring identifying at least:

the business or part of a business concerned; the principal locations affected; the location, function and approximate number of employees who will be compensated for terminating their services; the expenditures that will be undertaken; and when the plan will be implemented.

The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.10. EMPLOYEE BENEFITS

Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

Performance bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.11.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.11.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.11.3 Depreciation and Impairment

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of property, plant and equipment. In terms of this directive the Auditor General in the Eastern Cape determined that no provisional amounts for depreciation can be measured.

1.11.4 De-recognition

are derecognised when the asset is disposed or when there is no service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.12. INTANGIBLE ASSETS

1.12.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.12.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of intangible assets. In terms of this directive the Auditor General in the Eastern Cape determined that no provisional amounts for amortisation can be measured.

1.12.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13. INVESTMENT PROPERTY

1.13.1 Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.13.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.13.3 Depreciation and Impairment

... advantage of the transitional provisions in Directive 4 for the
... terms of this directive the Auditor General in the Eastern Cape
determined that no provisional amounts for amortisation can be measured.

1.13.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14. IMPAIRMENT OF NON-FINANCIAL ASSETS

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of non-current assets held for sale.

1.15. INVENTORIES

1.15.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.15.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

age of the provision contained in Directive 4 relating to the

1.16. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.16.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.16.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. , Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.16.2.1 Receivables

Receivables are classified as loans and receivables, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss

allowance account. If a future write-off is later recovered, it will be recorded in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.16.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.16.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.16.3 De-recognition of Financial Instruments

1.16.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.



form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.16.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.16.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.17. REVENUE

1.17.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised once payments are received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Payments for assets impaired, are recognised when it can be offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.17.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

and equipment is recognised on a straight-line basis over the

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.17.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;

Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;

Key management personnel, and close members of the family of key management personnel; and

Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.

Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.19. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.23. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

1.24. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical obligations and Long service awards

The cost of post retirement medical obligations, long service awards and ex-gartia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Accounting Policy 1.17.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.17.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.25. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.26. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

4.3. BUDGET TO ACTUAL COMPARISON

Revenue by Source

In accordance with the table presented, it would be evident that the organisation's overall revenue generated is positioned at R 152.4 Million, compared to the estimate of R 202.4 million, representing a shortfall of R 50 Million or 24.7% over planned performance.

The shortfall within the planned performance is primarily attributed to the delays experienced within the appointment of suitable contractors to execute capital programmes financed through external sources, coupled to interdicts obtained against the implementation of the Prentjiesberg roads and storm water project.

In accordance with the accounting standards, given that expenditure on Grant funding has not been recognised, no concomitant revenue recognition can occur; in accordance with the Division of Revenue Act, the Municipality has formally applied and received authority from National Treasury to appropriate a rollover of Unspent Conditional Grants within the 2011/2012 Budgetary cycle.

Performance associated with other income is a non cash flow related transactions centering around projects financed through retained earnings, in accordance with the Municipal Finance Management Act and budgetary regulations issued there under, the Municipality is prohibited from Budgeting for

cts financed through retained earnings are disclosed under
sustainable budget.

Expenditure by Nature

In accordance with the table presented, it would be evident that the organisation's overall expenditure is positioned at R 100,2 million, compared to the estimate of R 116.1 million, representing an under spending in the sum of R R15.89 million or 13.69% over planned performance.

The under spending of the operating budget is primarily associated with cost savings incurred within the ambit of the general remuneration increases provided to all employees and Councillors, as well as delays incurred within the appointment of employees into newly created positions as part of the revised establishment plan approved by Council.

Furthermore, the level of debt impairment provided for, yielded savings for the organisation as a result of intense credit control activity that yielded enhance recovery rates over planned performance.

Repairs and maintenance on infrastructure was under spent due to delays experienced within adverse weather conditions experienced throughout the financial year under consideration.

Capital Expenditure

In accordance with the table presented, it would be evident that the Organisation under spent the capital budget in the sum of R 36.4 million or 42.21%, the primary reasons associated with the underperformance on the votes centre around delays within the appointment of contractors to execute the implementation of the Ugie Master Plan and High Mast lighting valued in excess of R 27 million, coupled with and interdict obtained within the implementation of the Prentjiesberg Roads and Storm water project valued at R 8.26 Million; Council has applied formally for the rollover of all funding, which has been approved in accordance with the division of revenue act.

RT OF THE ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

4.3.1. COMPARISON OF ACTUAL REVENUE & EXPENDITURE AGAINST THE BUDGET

34 BUDGET COMPARISONS

34.1 Operational

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Revenue by Source					
Property Rates	9 774 023	10 294 955	(520 932)	-5.06%	Variance immaterial.
Government Grants and Subsidies	98 752 079	126 688 604	(27 936 524)	-22.05%	Interdict against Prentjesberg Roads and Stormwater project.
Public Contributions and Donations	15 000	-	15 000	0.00%	Given the nature of the item, income could not be budgeted for.
Actuarial Gains	80 868	-	80 868	0.00%	Given the nature of the item, income could not be budgeted for.
Fines	128 502	74 193	54 309	73.20%	Intensified efforts to collect outstanding fines.
Service Charges	20 946 447	17 524 217	3 422 230	19.53%	Revenue enhancement project.
Water Services Authority Contribution	9 324 797	9 324 859	(62)	0.00%	Variance immaterial.
Plant Income	1 759 572	10 000 000	(8 240 428)	-82.40%	Expenses offset as per GRAP requirements.
Rental of Facilities and Equipment	842 578	705 000	137 578	19.51%	Increased occupation rates of investment property.
Interest Earned - external investments	2 362 053	2 500 000	(137 947)	-5.52%	Variance immaterial.
Interest Earned - outstanding debtors	5 911 484	150 000	5 761 484	3840.99%	Insufficiently budgeted for.
Licences and Permits	1 423 070	2 021 379	(598 309)	-29.60%	Provincial licensing incorrectly included revenue and not only commission.
Other Income	1 131 942	23 170 733	(22 038 791)	-95.11%	Finance through retained earnings.
	152 452 415	202 453 940	(50 001 524)	-24.70%	
Expenditure by Nature					
Employee related costs	(39 772 604)	(45 440 872)	5 668 268	-12.47%	Vacant positions not filled.
Remuneration of Councillors	(6 983 480)	(7 365 460)	381 980	-5.19%	Variance immaterial.
Debt Impairment	(6 939 493)	(8 335 002)	1 395 509	-16.74%	Revenue enhancement programme.
Collection Cost	(249 381)	(270 961)	21 580	-7.96%	Variance immaterial.
Repairs and Maintenance	(2 284 436)	(4 390 609)	2 106 173	-47.97%	Large component on Roads not spent due to persistent bad weather.
Finance Charges	(293 058)	(100 605)	(192 453)	191.30%	Actuarial finance charges on Long Service Awards not budgeted for.
Bulk Purchases	(11 847 738)	(11 927 308)	79 570	-0.67%	Variance immaterial.
Operating Grant Expenditure	(6 450 787)	(4 045 333)	(2 405 454)	59.46%	Adopt correct accounting policy with regards to retentions.
Loss on disposal of PPE	(352 797)	-	(352 797)	0.00%	Given the nature of the item, expense could not be budgeted for.
General Expenses	(25 078 584)	(34 275 376)	9 196 792	-26.83%	Increased cost saving measures implemented.
	(100 252 358)	(116 151 526)	15 899 168	-13.69%	
Net surplus for the year	52 200 057	86 302 414	(34 102 356)	-39.51%	
	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Revenue by Source					
Property Rates	8 720 197	9 499 532	(779 335)	-8.20%	Variance immaterial.
Government Grants and Subsidies	65 643 248	91 248 219	(25 604 971)	-28.06%	Internal reserves used to finance capital acquisition. Misclassified as grants.
Public Contributions and Donations	94 560	-	94 560	0.00%	Given the nature of the item, income could not be budgeted for.
Actuarial Gains	11 210	-	11 210	0.00%	Given the nature of the item, income could not be budgeted for.
Fines	88 547	102 000	(13 453)	-13.19%	Variance immaterial.
Service Charges	20 223 012	6 956 340	13 266 672	190.71%	Revenue budget incorrectly discounted to actual collections.
Water Services Authority Contribution	6 808 846	5 290 569	1 518 277	28.70%	Provision for bad debts previously omitted from Service Level Agreement.
Rental of Facilities and Equipment	735 295	633 000	102 295	16.16%	Termination of lease agreements due to non payment.
Interest Earned - external investments	3 420 150	1 800 000	1 620 150	90.01%	First time recognition of interest on conditional grants as per MFMA circular 51.
Interest Earned - outstanding debtors	5 426 880	-	5 426 880	0.00%	Omission within budget framework.
Licences and Permits	1 020 328	2 435 000	(1 414 672)	-58.10%	Provincial licensing incorrectly included revenue and not only commission.
Other Income	774 462	8 362 296	(7 587 834)	-90.74%	Finance through retained earnings.
	112 966 735	126 326 956	(13 360 221)	-10.58%	
Expenditure by Nature					
Employee related costs	(35 815 847)	(37 932 216)	2 116 369	-5.58%	Variance immaterial.
Remuneration of Councillors	(6 708 393)	(6 607 784)	(100 609)	1.52%	Variance immaterial.
Debt Impairment	(22 252 942)	-	(22 252 942)	0.00%	Given the nature of the item, expense could not be budgeted for.
Collection Cost	(317 797)	(306 962)	(10 835)	3.53%	Variance immaterial.
Repairs and Maintenance	(4 416 781)	(4 068 698)	(348 083)	8.56%	Variance immaterial.
Finance Charges	(661 359)	(95 000)	(566 359)	596.17%	Fruitless and Wasteful expenditure incurred.
Bulk Purchases	(8 597 732)	(8 599 910)	2 178	-0.03%	Variance immaterial.
Operating Grant Expenditure	(3 991 494)	(4 569 760)	578 266	-12.65%	Outstanding programmes.
Loss on disposal of PPE	(25 308)	-	(25 308)	0.00%	Given the nature of the item, expense could not be budgeted for.
General Expenses	(12 215 492)	(13 564 041)	1 348 549	-9.94%	Variance immaterial.
	(95 003 145)	(75 744 371)	(19 258 774)	25.43%	
Net surplus for the year	17 963 590	50 582 585	(32 618 995)	14.85%	

REPORT OF THE ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

COMPARISON OF ACTUAL REVENUE & EXPENDITURE AGAINST THE BUDGET

34.2 Expenditure by Vote

	Actual (R)	Budget (R)	Variance (R)	Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
2011					
Budget & Treasury	21 350 322	25 002 797	(3 652 475)	-14.61%	Variance immaterial.
Community & Social Services	2 869 997	2 926 104	(56 106)	-1.92%	Variance immaterial.
Electricity	14 549 819	14 881 397	(331 578)	-2.23%	Variance immaterial.
Executive & Council	19 328 602	20 472 367	(1 143 765)	-5.59%	Variance immaterial.
Corporate Services	12 302 195	15 200 590	(2 898 395)	-19.07%	Institutional project still in progress.
Housing	107 897	438 144	(330 247)	-75.37%	Maclear Greenfields - Unspent conditional grant held, instruction from donor to settle obligation towards project.
Planning & Development	5 322 519	4 144 887	1 177 632	28.41%	Institutional projects budgeted as part of CAPEX.
Road Transport	8 679 471	15 164 832	(6 485 360)	-42.77%	Offset against income.
Sport & Recreation	3 180 013	3 442 623	(262 610)	-7.63%	Variance immaterial.
Waste Management	5 747 751	7 565 947	(1 818 196)	-24.03%	Vacant positions not filled.
Water	6 813 767	6 911 838	(98 071)	-1.42%	Variance immaterial.
	100 252 356	116 151 526	(15 899 170)	-13.69%	
2010					
Budget & Treasury	34 279 868	13 659 424	20 620 444	150.96%	Provision for allowance for doubtful debts.
Community & Social Services	3 040 640	3 249 171	(208 531)	-6.42%	Variance immaterial.
Electricity	11 497 978	11 277 296	220 682	1.96%	Variance immaterial.
Executive & Council	11 891 199	12 343 960	(452 761)	-3.67%	Variance immaterial.
Corporate Services	12 001 736	11 606 555	395 181	3.40%	Variance immaterial.
Housing	577 561	672 616	(95 055)	-14.13%	Deduction in salary related costs.
Planning & Development	1 574 432	2 697 760	(1 123 328)	-41.64%	Underspending on conditional grant (EPWP).
Road Transport	7 543 180	7 559 042	(15 862)	-0.21%	Variance immaterial.
Sport & Recreation	2 650 675	2 748 335	(97 660)	-3.55%	Variance immaterial.
Waste Management	5 278 428	5 143 172	135 256	2.63%	Variance immaterial.
Water	4 667 448	4 787 040	(119 592)	-2.50%	Variance immaterial.
	95 003 145	75 744 371	19 258 774	25.43%	

34.3 Capital Expenditure by Vote

	Actual (R)	Budget (R)	Variance (R)	Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
2011					
Budget & Treasury	4 151 873	5 050 798	(898 925)	-17.80%	Outstanding projects.
Community & Social Services	17 719	240 000	(222 281)	-92.62%	Non-implication of projects - Maclear Pound.
Electricity	19 254 860	28 790 968	(9 536 108)	-33.12%	Outstanding claims on Ugie master plan.
Executive & Council	6 623 181	7 800 000	(1 176 819)	-15.09%	Outstanding claims on Municipal Buildings.
Corporate Services	335 033	1 010 000	(674 967)	-66.83%	Master systems plan not completed.
Housing	-	854 312	(854 312)	-100.00%	Project deferred to next year.
Planning & Development	1 132 545	6 684 336	(5 551 791)	-83.06%	Hawkers Stalls, Madiba Corridor not commenced. Furniture Manufacturing in progress.
Road Transport	17 461 988	34 600 111	(17 138 123)	-49.53%	Prentjiesberg road and stormwater project subject to legal intervention.
Sport & Recreation	890 235	1 015 889	(125 654)	-12.37%	Budget related savings from projects.
Waste Management	-	250 000	(250 000)	-100.00%	Capitalisation of tractors and trailers deferred to next financial year.
	49 867 434	86 296 414	(36 428 980)	-42.21%	
2010					
Budget & Treasury	295 621	3 430 427	(3 134 806)	-91.38%	Steinhof land acquisition not completed.
Community & Social Services	796 820	699 986	96 834	13.83%	Accrue for retentions previously omitted.
Electricity	3 706 189	6 200 000	(2 493 811)	-40.22%	Delays in appointment of contractor relating to NER projects.
Executive & Council	742 247	2 102 000	(1 359 753)	-64.69%	Contract implementation delays due to spiraling cost estimate.
Corporate Services	899 852	1 850 000	(950 148)	-51.36%	Project delayed due to spiraling cost estimates.
Planning & Development	1 541 570	2 554 452	(1 012 882)	-39.65%	Delays with development of Hawkens Policy. Project savings on tourism project.
Road Transport	25 997 497	32 743 289	(6 745 792)	-20.60%	Technical setbacks with borrow pit licensing and usage.
Waste Management	548 896	984 448	(435 552)	-44.24%	Implementation of SLA with WSA.
	34 528 692	50 564 602	(16 035 910)	-31.71%	

RT OF THE ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

MEETING DONORS' REQUIREMENTS

In accordance with the table depicted below, it would be evident that in terms of all grants and subsidies received for the period under review, that the Municipality has been able to effectively administer and expend R48.07 million, whilst total allocations received amount to R 42.36 million, the Municipality has managed to effectively expend on prior periods unspent conditional grant; furthermore the Municipality has complied with all donor and grant conditions imposed for the period under review.

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2010	Correction of error	Restated balance 1 JULY 2010	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2011	Unspent 30 JUNE 2011 (Creditor)	Unpaid 30 JUNE 2011 (Debtor)
	R	R	R	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
7140/5403 - MSP	1 637 912	-	1 637 912	-	-	-	1 637 912	1 637 912	-
7140/5405 - EPWP	667 675	-	667 675	-	391 226	-	276 449	276 449	-
7140/5411 - HAWKERS STALLS	1 905 000	-	1 905 000	110 000	170 076	-	1 844 924	1 844 924	-
7140/5416 - VOTER STATION	-	1 109	1 109	900 000	601 213	-	299 896	299 896	-
7140/5422 - TOWN REGISTER	(36)	-	(36)	-	-	-	(36)	-	(36)
7140/5426 - ELUNDINI HOUSING	71 732	-	71 732	-	-	-	71 732	71 732	-
7140/5429 - KATLEHONG HOUSING	2 791	-	2 791	-	-	-	2 791	2 791	-
7140/5430 - HOUSING PILOT	112 508	-	112 508	-	-	-	112 508	112 508	-
7140/5432 - LIBRARY FUND	276 015	(168 187)	107 828	-	-	-	107 828	107 828	-
7140/5443 - TOURISM	592 357	-	592 357	-	49 601	-	542 756	542 756	-
7140/5445 - MT FLETCHER YOUTH	99 950	-	99 950	-	99 950	-	-	-	-
7140/5446 - LED OPEN	38 726	-	38 726	-	-	-	38 726	38 726	-
7140/5447 - MACLEAR GREENFIELD	805 811	-	805 811	-	154 027	-	651 784	651 784	-
7140/5449 - LEAVE RESERVE	12 118	-	12 118	-	-	-	12 118	12 118	-
7140/5450 - EUROPEAN UNION	217 168	-	217 168	130 301	347 467	-	2	2	-
7140/5451 - HIV/AIDS	54 000	-	54 000	-	54 000	-	-	-	-
7140/5454 - IDP PROCESS	50 000	-	50 000	-	50 000	-	-	-	-
7140/5455 - MADIBA CORRIDOR	700 000	-	700 000	-	-	-	700 000	700 000	-
7140/5457 - DEDEA BOTTLING WATER	-	-	-	500 000	498 750	-	1 250	1 250	-
7140/5461 - WARD FUNCTIONS	204 000	-	204 000	-	161 804	-	42 196	42 196	-
7140/5463 - COMMUNITY PARTICIPATION	226 000	-	226 000	50 000	199 500	-	76 500	76 500	-
7140/5470 - FURNITURE MANUFACTURING	2 452 345	(77 760)	2 374 585	-	1 317 729	-	1 056 856	1 056 856	-
7140/5476 - ECDC	-	(301 374)	(301 374)	24 755 140	-	16 637 899	7 815 867	7 815 867	-
7140/5477 - ELUNDINI WOMEN HOSPITALITY	-	-	-	234 303	234 303	-	-	-	-
7140/5401 - MUNICIPAL INFRASTRUCTURE GRANT	6 778 036	(2 517 147)	4 260 889	13 680 000	-	17 899 522	41 367	41 367	-
7140/5402 - NER	7 215 968	-	7 215 968	-	-	7 215 968	-	-	-
7140/5404 - FINANCIAL MANAGEMENT GRANT	-	-	-	1 250 000	1 250 000	-	-	-	-
7140/5407 - MUNICIPAL SYSTEMS IMPROVEMENT GRANT	(12 183)	-	(12 183)	750 000	737 817	-	-	-	-
Total	24 107 892	(3 063 359)	21 044 533	42 359 744	6 317 463	41 753 389	15 333 425	15 333 461	(36)

ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

NTS IN RESPECT OF CONDITIONAL GRANTS

Compliance with donor's requirements in respect of conditional grants are reflected below:

	2011 R	2010 R
GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	50 681 227	40 826 480
Equitable Share	50 021 227	40 826 480
Other Grants	660 000	-
Conditional Grants	48 070 852	24 816 768
Municipal Infrastructure Grant (MIG)	17 899 522	14 950 562
Municipal Systems Improvement Grant (MSIG)	737 817	1 504 011
Financial Management Grant (FMG)	1 250 000	985 834
National Electrification Programme Grant (NER)	7 215 968	3 923 682
ECDC	16 637 899	301 374
Other Grants	4 329 645	3 151 305
Total Government Grants and Subsidies	98 752 079	65 643 248
Government Grants and Subsidies - Capital	41 753 390	19 175 618
Government Grants and Subsidies - Operating	56 998 690	46 467 630
	98 752 079	65 643 248
The Municipality does not expect any significant changes to the level of grants.		
Equitable Share		
Opening balance	-	-
Grants received	50 021 227	40 826 480
Conditions met - operating	(50 021 227)	(40 826 480)
Conditions still to be met	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
Municipal Infrastructure Grant (MIG)		
Opening balance	4 260 889	6 646 638
As previously reported		8 131 652
Correction of error restatement - Refer to note 29.03		(1 485 014)
Grants received	13 680 000	12 564 813
Conditions met - capital	(17 899 522)	(14 950 562)
As previously reported		(13 918 429)
Correction of error restatement - Refer to note 29.03		(1 032 133)
Conditions met - operating	-	-
Conditions still to be met / (unpaid grants for conditions already met)	41 367	4 260 889
MIG is used to supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. Also to provide for new municipal infrastructure and rehabilitation and upgrading of existing ones		
Municipal Systems Improvement Grant (MSIG)		
Opening balance	(12 183)	756 829
Grants received	750 000	735 000
Conditions met - capital	-	-
Conditions met - operating	(737 817)	(1 504 011)
Conditions still to be met / (unpaid grants for conditions already met)	-	(12 182)
MSIG is used to assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Local Government: Municipal Systems Act.		
Financial Management Grant (FMG)		
Opening balance	-	(14 166)
Grants received	1 250 000	1 000 000
Conditions met - capital	-	-
Conditions met - operating	(1 250 000)	(985 834)
Conditions still to be met	-	-
FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).		



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ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
National Electrification Programme Grant (NER)		
Opening balance	7 215 968	6 139 650
Grants received	-	5 000 000
Conditions met - capital	(7 215 968)	(3 923 682)
Conditions met - operating	-	-
Conditions still to be met	-	7 215 968

The National Electrification Grant is used for electrical connections in previously disadvantaged areas.

ECDC		
Opening balance	(301 374)	-
Grants received	24 755 140	-
Conditions met - capital	(16 637 899)	(301 374)
As previously reported		-
Correction of error restatement - Refer to note 29.03		(301 374)
Conditions met - operating	-	-
Conditions still to be met / (unpaid grants for conditions already met)	7 815 866	(301 374)

The ECDC Grant is used for the Ugie / PG Bison development.

Other Grants		
Opening balance	9 881 234	5 396 771
Grants received	1 924 604	7 635 768
Conditions met - capital	-	-
Conditions met - operating	(4 329 645)	(3 151 305)
As previously reported		(2 906 467)
Correction of error restatement - Refer to note 29.03		(244 838)
Conditions still to be met	7 476 192	9 881 234

Various grants were received from other spheres of government.

S AND SERVICE CHARGES

The arrears in property rates and services charges for the period under review are reflected in the table below.

Importantly as per the analysis denoted the gross carrying value of debtors- services and rates equates to R 79 085 688, whilst the provision for impairment amounts to R 60 021 345, constituting a staggering 75.89% non recoverability estimate.

Notwithstanding the above, Council launched a revenue enhancement and debt reduction Strategy in the latter part of the 2009/2010 financial year aimed at significantly reducing outstanding debts, whilst significantly improving available cash flow, which as at 30 June 2011, resulted in excess of R 49 Million having been collected from debtors.

This program, in conjunction with a sustained approach to recover Government related debts has effectively resulted in an increased collection rate from 27.16% (June 2010) to 82.07% as at 30 June 2011.

Included in the debts associated with exchange transactions, the organisation has billed the ECDC R 6.4 Million related to Capital Projects implemented, and Joe Gqabi DM in the sum of R 4.6 Million for services rendered associated with Water Services Provisioning in June 2011, which reduces the overall collection rate for 2010/2011. (Low risk accounts)

The immense success of this short termed program has culminated in a long termed strategy being employed, which has seen the appointment of specialist revenue management firm during February 2011 for a medium termed contract to bolster internal capacity to effectively deal with revenue management and debt collection processes.

ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

14 RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2011 R	2010 R
Electricity	11 952 929	9 151 091
As previously reported		9 035 421
Change in accounting policy restatement - Refer to note 28.01		115 670
Water	12 302 777	11 301 259
As previously reported		4 616 237
Change in accounting policy restatement - Refer to note 28.01		141 829
Correction of error restatement - Refer to note 29.03		6 462 548
Correction of error restatement - Refer to note 29.12		80 645
Refuse	23 898 894	17 546 267
As previously reported		17 324 482
Change in accounting policy restatement - Refer to note 28.01		221 785
Sewerage	2 844 958	2 879 848
As previously reported		589 131
Change in accounting policy restatement - Refer to note 28.01		36 072
Correction of error restatement - Refer to note 29.03		2 228 605
Correction of error restatement - Refer to note 29.12		26 040
Other	15 920 746	7 869 442
As previously reported		7 661 533
Change in accounting policy restatement - Refer to note 28.01		98 082
Correction of error restatement - Refer to note 29.10		109 827
Total Receivables from Exchange Transactions	66 920 304	48 747 907
Less: Allowance for Doubtful Debts	(48 729 350)	(42 742 739)
As previously reported		(33 438 149)
Change in accounting policy restatement - Refer to note 28.01		(613 438)
Correction of error restatement - Refer to note 29.03		(8 691 152)
Total Net Receivables from Exchange Transactions	18 190 954	6 005 168

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary.

Reconciliation of Allowance for doubtful debts

Balance at beginning of year	42 742 739	15 812 066
Allowance for Doubtful Debts on Water and Sanitation Receivables	-	8 691 152
Contribution to provision	9 579 995	19 499 552
Debt Impairment written off against provision	(3 593 384)	(1 260 031)
Balance at end of year	48 729 350	42 742 739
Electricity	10 029 388	7 602 245
Water	11 145 429	9 603 722
Refuse	21 670 080	15 142 600
Sewerage	2 698 846	2 470 579
Other	3 185 607	7 923 593

Concentrations of credit risk with respect to Receivables from exchange transactions are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's receivables.



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ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

Service Receivables

2011

	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
Electricity	11 952 929	(10 029 388)	1 923 541
Water	12 302 777	(11 145 429)	1 157 348
Refuse	23 898 894	(21 670 080)	2 228 814
Sewerage	2 844 958	(2 698 846)	146 112
Other	15 920 746	(3 185 607)	12 735 139
Total	66 920 304	(48 729 350)	18 190 954

2010

Electricity	9 151 091	(7 602 245)	1 548 846
Water	11 301 259	(9 603 722)	1 697 537
Refuse	17 546 267	(15 142 600)	2 403 667
Sewerage	2 879 848	(2 470 579)	409 269
Other	7 869 442	(7 923 593)	(54 151)
Total	48 747 907	(42 742 739)	6 005 168

Ageing of Receivables from Exchange Transactions

(Electricity): Ageing

Current (0 - 30 days)	636 239	698 735
31 to 60 days	431 015	457 901
61 to 90 days	397 035	404 276
91 to 120 days	384 819	394 863
121 to 150 days	351 716	352 330
>150 days	9 752 105	6 842 986
Total	11 952 929	9 151 091

(Water): Ageing

Current (0 - 30 days)	452 890	1 152 837
31 to 60 days	331 336	389 595
61 to 90 days	366 402	317 888
91 to 120 days	303 047	320 092
121 to 150 days	293 400	335 032
>150 days	10 555 701	8 785 814
Total	12 302 777	11 301 259

(Refuse): Ageing

Current (0 - 30 days)	744 592	683 847
31 to 60 days	695 858	648 670
61 to 90 days	688 306	630 476
91 to 120 days	671 495	622 944
121 to 150 days	665 783	615 395
>150 days	20 432 860	14 344 935
Total	23 898 894	17 546 267

(Sewerage): Ageing

Current (0 - 30 days)	33 545	101 079
31 to 60 days	58 926	54 304
61 to 90 days	21 125	30 960
91 to 120 days	23 031	33 986
121 to 150 days	26 296	39 603
>150 days	2 682 035	2 619 916
Total	2 844 958	2 879 848

(Other): Ageing

Current (0 - 30 days)	11 158 586	66 034
31 to 60 days	251 904	251 381
61 to 90 days	227 551	80 539
91 to 120 days	44 422	3 853 016
121 to 150 days	40 269	33 928
>150 days	4 198 014	3 584 544
Total	15 920 746	7 869 442

ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

15 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2011 R	2010 R
Rates	12 111 406	14 479 417
As previously reported		14 420 511
Change in accounting policy restatement - Refer to note 28.01		184 609
Correction of error restatement - Refer to note 29.08		(125 703)
Other Receivables	53 978	262 716
Irregular Expenditure	-	-
As previously reported		181 804
Correction of error restatement - Refer to note 29.01		(181 804)
Unauthorised Expenditure	-	-
As previously reported		79 308
Correction of error restatement - Refer to note 29.01		(79 308)
Fruitless and Wasteful Expenditure	-	-
As previously reported		491 703
Correction of error restatement - Refer to note 29.01		(491 703)
RD Cheques	(609)	208 129
Underbanking of Cash	54 587	54 587
Total Receivables from Exchange Transactions	12 165 384	14 742 133
Less: Allowance for Doubtful Debts	(11 291 995)	(12 846 024)
As previously reported		(12 661 415)
Change in accounting policy restatement - Refer to note 28.01		(184 609)
Total Net Receivables from Non-Exchange Transactions	873 389	1 896 109

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from non-exchange transactions on initial recognition is not deemed necessary

Reconciliation of Allowance for doubtful debts

Balance at beginning of year	12 846 024	7 627 947
Contribution to provision/(reversal of provision) - note 24	(1 323 446)	5 218 077
Debt Impairment written off against provision	(230 583)	-
Balance at end of year	11 291 995	12 846 024
Rates	11 291 995	12 846 024

Concentrations of credit risk with respect to Receivables from non-exchange transactions are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's receivables.

	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
2011			
Rates	12 111 406	(11 291 995)	819 411
Other Receivables	53 978	-	53 978
RD Cheques	(609)	-	(609)
Underbanking of Cash	54 587	-	54 587
Total	12 165 384	(11 291 995)	873 389
2010			
Rates	14 479 417	(12 846 024)	1 633 393
Other Receivables	262 716	-	262 716
RD Cheques	208 129	-	208 129
Underbanking of Cash	54 587	-	54 587
Total	14 742 133	(12 846 024)	1 896 109



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ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)
31 to 60 days
61 to 90 days
91 to 120 days
121 to 150 days
>150 days

Total

2011 R	2010 R
99 759	108 088
320 741	1 229 310
279 187	273 863
273 797	269 029
239 830	266 263
10 898 092	12 332 864
12 111 406	14 479 417

(Other Receivables): Ageing

Current (0 - 30 days)
31 to 60 days
61 to 90 days
91 to 120 days
121 to 150 days
>150 days

Total

-	-
-	-
-	-
-	-
-	-
53 978	262 716
53 978	262 716

ENTERED INTO BY THE MUNICIPALITY

The Municipality entered into no long term contracts for the period under review.

4.6. ANTI CORRUPTION STRATEGY

The municipality's Anti-fraud and Anti-corruption Policy was adopted on 30 January 2009. During the 2010/2011 financial year, the municipality improved its focus on measures to combat fraud and corruption, and the following policies and strategies were developed and approved by the municipal council on 10 May 2011: -

- Fraud Risk Management Policy
- Fraud Risk Management Strategy and Implementation Plan
- Whistle Blowing Policy

The municipality has partnered with Deloitte Tips Off Anonymous, who are administering the municipality's fraud hot line. The following tips off contact numbers have been registered: -

- Freecall : 0800 117 844
- Email : Elundini@tip-offs.com
- Free fax : 0800 007 788
- SMS : 32840
- Website : www.tip-offs.com
- Freepost : Freepost KZN, Umhlanga Rocks, 4320

No incidences of fraud and corruption were reported to the facility during the year under review. The municipality has also work-shopped all staff members on the Anti-corruption Policy.

4.7. FINANCIAL SUSTAINABILITY AND VIABILITY

4.7.1. PRESSURE FACING MUNICIPALITY'S BUDGET

- Eradication of Infrastructural Services Backlogs
- Ageing infrastructural networks(roads) requiring excessive maintenance allocations
- Escalating costs associated with Bulk Electricity Purchases
- Increased un-affordability of basket of services resulting in non-payment
- Financial losses associated with increased levels of distribution losses (Electricity)
- Limited revenue base
- Increased cost exposure associated with enhanced service offerings (Solid Waste functioning)
- Cash backing of provisions(GRAP requirements)

4.7.2. INTERGOVERNMENTAL CHALLENGES

- Non payment of service and rates related debts by Provincial and National Departments
- Non payment of Water and Sanitation operating subsidies by the Joe Gqabi DM



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ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

2011

- Integrated political intervention to deal with intergovernmental challenges
- Implementation of Revenue enhancement and debt reduction Strategy
- Development and adoption of Budget related policies aimed at enhancing municipalities financial sustainability and viability
- Implementation of programmes aimed at enhancing the Municipalities cash reserves in with funding requirements- provisions.

CHAPTER 5

GOOD GOVERNANCE AND PUBLIC PARTICIPATION

5.1. PUBLIC PARTICIPATION AND CONSULTATION

The Elundini Municipality places community/public participation at the centre of its operations. Between January and February 2011, a review of the Community Based Planning programme was undertaken in all the sixteen wards where communities had the opportunity of reviewing their ward plans.

As part of the endeavours to reach as many stakeholders as possible, Mayor's conversations with the following stakeholders were held:

STAKEHOLDERS	VENUES	DATE	TIME
People in Sport	Maclear Country Club	01 September 2010	18H00
Traditional Leaders	Sonwabile Community Hall	07 October 2010	10H00
Religious Groups	Sonwabile Community Hall	13 October 2010	10H00

From the 18 – 21 April 2011 the former Honourable Mayor of Elundini Municipality, Cllr Bongani Salmani, and his EXCO embarked on his annual outreach programme to all the sixteen wards clustered in the following wards:

WARD(S)	VENUES	DATE	TIME
1	Gqaqhala	18 April 2011	11H00
2	Ntokozweni Community Hall	18 April 2011	17H00
4, 7 & 16	Solomzi JSS	19 April 2011	10H00
5 & 6	Esixhotyeni Community Hall	19 April 2011	14H00
3	Sonwabile Community Hall	19 April 2011	17H00
8	Mfanta Community Hall	20 April 2011	11H00
10, 11 & 12	Thaba-tlala Community Hall	20 April 2011	11H00
9	Mt Fletcher Municipal Hall	20 April 2011	17H00
13, 14 & 15	Mamontoeli JSS	21 April 2011	11H00

This year's outreach programme was both to give service delivery report for the period the Council has been in office and also to listen to the concerns the communities have. Although the communities welcomed and commended the services delivered the Council, they also raised issues that they felt were still outstanding in their wards and requested the Council to speed up service delivery. The following are some of the common issues requested by the communities that the Council to look at when budgeting for the next financial year:

- Upgrading of access roads;
- Upgrading and maintenance of streets;
- Provision of decent sanitation;
- Provision of clean drinking water;
- Electrification of all households;
- Provision of houses;

- Construction of multi-purpose halls;
- Upgrading of sports fields;
- Creation of employment opportunities;
- Construction of clinics and access to ambulances;
- Access to police services and visibility of police;
- Construction of dipping tanks
- Construction of shearing sheds

5.2. WARD COMMITTEES' ESTABLISHMENT AND FUNCTIONALITY

From the 25th to 29th October 2010 an assessment and revival of Ward Committees in Wards 8, 9, 10, 11, 12, 13, 14 and 15 was done with the aim of strengthening their functionality and also to introduce the Municipality's Public Participation Unit and the role it will play in their functionality.

The table overleaf depicts the number Ward Committee and Community Meetings that were held during the year under review:

WARD	VENUES	NO OF MEETINGS	COMMUNITY MEETINGS HELD
WARD 1	ENKALWENI, GQAQHALA, NCEMBU	6	10
WARD 2	TAKALANE, NTOKOZWENI, LAND CAMP	7	7
WARD 3	VINCENT PARK, SONWABILE, CLEAR VIEW, GREENFIELDS	4	6
WARD 4	LOWER TSITSANA MISSION, TRABAL OFFICE	9	8
WARD 5	NTABELANGA, SITHANA, MBONISWENI, ST AUGUSTINE, LOWER NXAZA MTSHEZI	5	6
WARD 6	ESIXHOTYENI A/A	8	8
WARD 7	MOSHOESHOE T/A, HLANGALANE AND MFABANTU	4	6
WARD 8	UPPER NXANXA, LUZIE, UMFANA HALL, PRESBYTERIAN CHURCH	4	4
WARD 9	MT FLETCHER TOWN HALL	5	6
WARD 10	AMAHLUBI T/A	4	4
WARD 11	NTSASA SPS (XAXAZANA)	4	4
WARD 12	THABATLALA, LEHLAKANENG, KINIRA POORT, MANGOLOANENG EAST, POPOPO, SETHATHI, POLOKOE, NGOLILOE, MASHATA	5	7
WARD 13	MOHOABATSANE HALL	4	5
WARD 14	VUVU, ULUNDI, LEHANA'S PASS, SETEBATABA, MAKHOASENG, THABALGOBEDU, SATUBE, NQALWENI.	5	7
WARD 15	LOWER TOKOANA J.S.S.	4	4
WARD 16	SOLOMZI J.S.S	6	8

WORKERS' PERFORMANCE MONITORING

In terms of the current scenario, the department is responsible for the day to day management of all CDWs in all the wards in the Eastern Cape Province. In an attempt, ostensibly, to performance the daily management function better, the department has facilitated to have coordinators from among the rank of the CDWs whose main responsibility appears to be to disseminate/communicate information between department and the CDWs. As alluded supra, what gets communicated to the municipality appears to be the logistical requirements of the CDWs, and not the functional roles and progress reports of the CDWs.

The following approaches in the management of the work of the CDWs have been adopted in the MoU:

- The municipality has established a Communications and Public Participation Unit in the Office of the Municipal Manager, under the direction of an Assistant Manager – Executive Support;
- The CDWs must be integrated into the Communications and Public Participation unit and must be convened by the Communications and Public Participation Officer, who reports to the Assistant Manager – Executive Support;
- The CDWs must be accorded ex officio status in all the meetings of the ward committee, which they must attend diligently and at which they must table reports in relation to their activities for the month. Such reports must constitute an integral part of the ward report and recommendations to be escalated to the municipality;
- The ward reports and recommendations must be sent to the Office of the Municipal Manager, whereat they will be studied and where applicable, matters emanating there from will be referred to the relevant Councillor, official, political structure or government department;
- The CDWs would maintain a timesheet detailing all their activities for the month, which would be signed off by the Ward Councillor as confirmation that work for the month was carried out and would also be supported by the monthly report. Any disputes would be referred to the Office of the Municipal Manager for adjudication.

It is our view that the current arrangements where the department is expected to manage the day to day activities of the CDWs is untenable, does not yield any value for money and defies the basic tenets of the Inter Governmental Relations Act.

The possibility of the department continuing with its current practices while also piloting the above model at the Elundini Municipality could be explored.

A Master Plan has been formulated by the National Department of Public Service and Administration in conjunction with the provincial departments responsible for local government. In developing this integration model, cognizance has been given, in the main, to the strategic objectives relating to establishment of the programme. The proposed model, while it is in line with the programme objectives, was not outside of the broad parameters of the master plan. It was then agreed that a MoU be developed between the provincial department and the municipality, several meetings were held which culminated in the signing of the MoU by the provincial superintendent general for local government and traditional affairs, Mr Stanley Khanyile and Elundini Municipality's municipal manager Mr. Khaya Gashi in Bisho.

- 28th February 2011, first official meeting on MoU formulation.
- 9th May 2011, second official meeting on MoU formulation.
- 30 June 2011, signing of MoU in Bisho

The Executive Support report focuses on three issues, namely:

- Communication, branding and customer care;
- Special programmes and;
- HIV/AIDS programmes

5.4.1. COMMUNICATIONS, BRANDING & CUSTOMER CARE

5.4.1.1. COMMUNICATION

As part of strategy implementation, the following has been achieved in 2010/2011:-

- Blue Snow which is a quarterly newsletter was launched in July 2010 and four publications were issued since then.
- Mayor's conversation with farmers, business, sport, traditional leaders, religious leaders, youth, education and ratepayers were convened as part of increasing stakeholder engagement and participation.
- Events publication and municipal profiling through marketing material like posters, banners, newspaper articles, radio adverts, interviews & broadcast, television interviews & broadcast were done for different projects like Plant Machinery launch, Mayoral Cup, Dare To Dream, Tourism, etc.
- Basic communication equipment like cameras was purchased.

5.4.1.2. CUSTOMER SERVICE

- Draft Service Delivery Charter has been developed to improve customer service.
- Toll-free tips-off anonymous number has been opened to report complaints and fraud related activities. Posters with contact numbers and process to follow to report complaints and fraud matters were developed and pasted throughout the municipality.
- Customer Care Consultants positions have already been advertised internally.

5.4.2. SPECIAL PROGRAMS

5.4.2.1. YOUTH DEVELOPMENT PROGRAM

In 2010/2011 the municipality prioritized business development for youth as one of the key strategic interventions towards youth development and as a consequence:

- Facilitated attendance of youth to business development workshops and seminars.
 - ✓ A workshop on tendering was hosted by LED in Mt Fletcher in February 2011.
 - ✓ 1 business seminar was hosted between July 2010 and September 2010.
 - ✓ 1 business seminar in March 2011 was hosted in partnership with LED & ECDC and youth, women & PWD were invited. The majority of participants were women and youth. NYDA & JGDM made presentations in the seminar.
 - ✓ June 16 activity focusing on economic development was held in Mdantsane and a group of young people was transported to attend.

The municipality also launched the Dare To Dream Youth Talent Search whose aim was to nurture, enhance and promote youth talent in performing arts. Auditions were planned for all wards and only

were followed by eliminations which ultimately culminated Mankayi, Ugie Mob and Uphondo Lwendlovu sweeping the stake. Skills development and youth mobilization were also incorporated as key pillars of the project. Therefore, Dare To Dream:

- ✓ Provided technical and life skills training to youth in performing art
- ✓ Established a database of youth in performing art from all wards

One of the successful projects the municipality initiated also as a contribution towards youth development was the hosting of the inaugural Mayoral Cup whose aim was to promote sport development within Elundini. This initiative was also aimed at enhancing, nurturing and showcasing youth talent in sport. Elundini Sport Council was launched in October 2010 and the structure played a very crucial role towards the launch of the Mayoral Cup. Sport ward forums were also established with the assistance of the then Task Team which facilitated the establishment of Elundini Sport Council.

Five codes, viz. rugby, soccer, netball, boxing and athletics participated in the Mayoral Cup. All clubs that participated at ward level received balls and clubs that won from each ward received kits. Sponsorship was received from Akhatech, Tswella Trading & FNB. Two full high quality sets of soccer kit towards the cup were sponsored for the teams who played the finals. FNB sponsored R15 000 towards the cup whilst Alchatech sponsored boxing equipment for a sum of R19 000 and Tswella trading sponsored a sum of R5000.

5.4.2.2. WOMEN EMPOWERMENT PROGRAM

One Induction workshop and re- launch of the Women Caucus was conducted on the 26-27 October 2010. In addition, new members were elected on the 26 October 2010. The municipality employed only 7 women during this financial year in pursuit of its equity targets. Four business advice sessions were facilitated to empower women in business:

- 1 business seminar was hosted in Maclear between July 2010 and September 2010.
- 1 business seminars was facilitated for youth, women & PWD in East London which was in November 2010.
- A workshop on tendering was hosted by LED in Mt Fletcher in February 2011.
- 1 business seminar in March 2011 was hosted in partnership with LED & ECDC and youth, women & PWD were invited. The majority of participants were women and youth. NYDA & JGDM made presentations in the seminar.

5.4.2.3. PEOPLE WITH DISABILITIES PROGRAM

People with disability (PWD) were also part of business seminars organized for youth and women. The municipality also helped PWD in the identification of potential projects for support but unfortunately the three of them were not feasible. The municipality approached National Council for People with Physical Disability (NPDSA) to further provide support and continuous engagements with the structure were facilitated.

5.4.3. HIV/AIDS PROGRAM

The municipality established partnerships with Home Community Based Care (HCBCs) organizations operating at different wards within Elundini in October 2010. The partnership is aimed at provision of further support to community initiatives whilst implementing the strategic plan on the other

...were signed with 10 HCBCs with quarterly plans as a basis for
...ement.

Quarterly reports by HCBCs were submitted and presented in December 2010, March & June 2011 and a consolidated report was also developed. 9 HCBCs submitted the report for the last 2 quarters the other one had problems which HIV/AIDS coordinator is attending to. All HCBC's were visited monthly to check progress, support and motivate them. Their quarterly education and awareness big events were also supported and monitored.

The municipality also assisted HCBCs by facilitating development of business plans to help them augment their resource base. Two of the business plans for HCBCs that are registered as Non Profit making Organizations were submitted to Lottery for funding and the projects are put in 6 months waiting period by the funder. Other business plans are sent to other prospective funders.

Three Local AIDS Council meetings were convened to prepare for World AIDS Day, report on progress and to close the year of a fruitful partnership.

5.5. LEGAL MATTERS

5.7.1. SETTING UP OF LEGAL UNITS

The municipality does not have a legal unit inside but outsources the function to external service providers. The following service providers were used by the municipality with all related matters during the year under review:

- ✓ McFarlane & Associates
- ✓ Wesley Pretorius & Associates
- ✓ Mantyi Attorneys
- ✓ Jolwana Mgidlana Incorporated
- ✓ O'Conner Attorneys
- ✓ Sodo Inc RM
- ✓ Kirchmanns Inc
- ✓ Fikile Ntayiya & Associates
- ✓ Drake Flemmer & Orsmond
- ✓ Nompilo Sidondi Consulting

5.7.2. MANAGEMENT OF LITIGATION



Case Name	Nature of the Case	Date of Commencement	Cases of 2 years below	Cases beyond 2 years	Reasons for extensive duration
SALA Pension	Arrear Contributions	27 th June 2008		✓	Due to court processes, matter before high court.
SJW CIVILS	Interdict on Bidding process:- Prentjiesberg.	About 12 th May 2011	✓		Less than 2years
SJW CIVILS	Interdict on bidding process Ntokozweni.	About 24 th June 2011	✓		Less than 2years
Mr. Vukile Matyeni	Labour Court reviews application. Claiming re-instatement and salary back pay.	Dismissed on 9 th October 2009		✓	The matter has since been resolved
WESBANK	Failure to honour a contract.	No summons issued	✓		Less than 2years
P. Lehlapa	Labour Court Review application claiming re-instatement and salary back pay.	Dismissed on 14 th July 2009		✓	Court Processes-Matter with Labour Court
Mr. S. Songca	Claiming for farm damages resulting from veld fires	1 st November 2010	✓		Less than 2years
F. Ntshintshi	Labour Court review application claiming re-instatement and salary back pay.	Dismissed about October 2007		✓	The matter has since been resolved.
Pieter Brits	Claiming damages to a farm resulting from veld fires.	28 th may 2010	✓		Less than 2years



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OF CURRENT LITIGATION

The municipality is in the process of ensuring that all departments do comply with the legal prescripts within their respective areas of performance.

5.7.3. MANAGEMENT OF LEGAL RISKS

The Municipality is in the process of formulating a policy on the management of legal risk that will have to be adopted by the Council.

SECTION 4 – FUNCTIONAL AREAS SERVICE DELIVERY REPORTING

4.1. INTRODUCTION

During the year under review, the municipality developed and implemented a performance management system as required by the Municipal Systems Act (Act 32 of 2000) and the Municipal Planning and Performance Regulations (2001). The regulations stipulate that a municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review and reporting and improvement will be conducted, organized and managed, including determining the roles of the different role players.

In terms of the Municipal Finance Management Act (Act 56 of 2003), the municipality also developed a service delivery and budget implementation plan which was linked to the performance management system.

4.2. AUDITED ANNUAL FINANCIAL STATEMENTS

Audited financial statements are attached as an annexure.

4.3. THE REPORT OF THE AUDITOR-GENERAL

**REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE
AND THE COUNCIL ON ELUNDINI MUNICIPALITY**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Elundini Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting officer's report, as set out on pages XX to XX.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010 as amended) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and, section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Elundini Municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:



Significant uncertainties

9. Enquiries of management and the attorneys revealed that the municipality is a defendant in several lawsuits. The potential loss arising from these lawsuits is R1.85 million as disclosed in note 45 to the financial statements. The outcome of these lawsuits cannot be determined at present and no provision has been made for any liability that may result.

Restatement of corresponding figures

10. As disclosed in notes 28 and 29 to the financial statements, the corresponding figures which relate to the year ended 30 June 2010 have been restated as a result of the early adoption of GRAP 104 on financial instruments as well as reclassifications and errors discovered during the current financial year.

Unauthorised expenditure

11. As disclosed in note 35.1, unauthorised expenditure amounting to R1.18 million was incurred during the year ended 30 June 2011. This was due to overspending of budget on certain votes.

Fruitless and wasteful expenditure

12. The municipality incurred fruitless and wasteful expenditure of R11 021 relating to interest and penalties as disclosed in note 35.2 to the financial statements. The balance of fruitless and wasteful expenditure relating to the 2009/10 financial year has been condoned by Council.

Material losses

13. The municipality suffered significant electricity losses of 6 430 721 kWh with a value of R3.7 million during the year under review as disclosed in note 35.4 to the financial statements. The municipality also suffered water losses of 314 868 mega litres with a value of R2.4 million as disclosed in note 35.4 to the financial statements.

Material impairments

14. The municipality listed outstanding debtors totalling R60.02 million at 30 June 2011, for which the recoverability is considered to be doubtful. This is disclosed in notes 14 and 15 to the financial statements.

Material underspending of the budget

15. The municipality has materially underspent on its capital budget. As disclosed in note 34.3 to the financial statements R36.43 million of the capital budget remained unspent at 30 June 2011.

Additional matter

16. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

17. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. We have not audited these schedules and, accordingly, we do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

18. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report and material non-compliance with laws and regulations applicable to the Municipality.

Predetermined objectives

Presentation of information

19. The following criteria are relevant to the findings below:

- Performance against predetermined objectives is reported using the National Treasury guidelines.

20. Audit finding:

- **The annual performance report did not contain measures to improve performance**

The annual performance report did not contain measures taken to improve performance where objectives were not met, as required by regulation 13(2) of the Municipal Planning and Performance Management Regulations.

Usefulness of information

21. The following criteria are relevant to the findings below:

- Consistency: Objectives, indicators and targets are consistent between planning and reporting documents

22. Audit findings:

- **Performance objectives are not consistent**

Fifty eight percent of the selected reported performance objectives are not consistent with the Service Delivery and Budget Implementation Plan (SDBIP) and Integrate Development Plan (IDP), as required by section 26(l) of the Municipal Systems Act (MSA), read together with paragraph 4, page 2 of the MFMA Circular 13.

- **Changes to the objectives of the approved annual performance plan were not disclosed and explained**

Changes to the objectives of the approved annual performance plan for the year under review, were not disclosed and explained as required in terms of the relevant National Treasury preparation guide. Of the 12 objectives included in the original IDP, only eight of these were in the balance scorecard. In addition the balanced scorecard includes an additional 42 objectives that were not initially included in the IDP.

Reliability of information

23. The following criteria are relevant to the findings below:

- Validity: Actual reported performance has occurred and pertains to the entity
- Accuracy: Amounts, numbers, and other data relating to reported actual performance have been recorded and reported appropriately

24. Audit findings:

- **Non-submission of source documentation to verify the actual achievements**

The non-submission of source documentation to verify the actual achievements disclosed in the annual performance report has resulted in a limitation of scope and as such, impeded our ability to determine if the reported performance statistics are complete, accurate and valid. Of the selected objectives, 44% could not be verified for validity, accuracy and completeness.

- **Non-compliance not affecting the fair presentation of the report on predetermined objectives**

The municipality did not follow the prescribed process in terms of sections 27, 28, 29, 30, 31, 32 and 34(b) of the MSA, as well as regulation 3 of the Local Government: Municipal Planning and Performance Management Regulations relating to the implementation of a new balanced scorecard. A council resolution passed on 17 September 2010 resolved that a new, improved balanced scorecard would supersede the institutional balanced scorecard in the IDP, which was adopted on 15 June 2010.

- **No allocation of budget amounts**

The municipality did not allocate budget amounts for each strategic objective/priority as required by Section 6 of the Local Government: Municipal Planning and Performance Management Regulations.

Compliance with laws and regulations

Budgetary reporting

25. The municipality incurred expenditure that was not budgeted for, in contravention of section 15 of the MFMA.

Procurement and contract management

26. Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality as required by Supply Chain Management (SCM) regulation 27(3).
27. Bids were not always evaluated by bid evaluation committees which were composed of at least one SCM practitioner of the municipality as per the requirements of SCM regulation 28(2).

Material underspending of the budget

28. The municipality has materially underspent on its capital budget. As disclosed in note 34.3 to the financial statements R36.43 million of the capital budget remained unspent at 30 June 2011.

Expenditure management

29. The accounting officer did not take reasonable steps to prevent fruitless and wasteful expenditure, as required by section 95(d) of the MFMA.

INTERNAL CONTROL

30. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

31. In the year under review, the leadership structure has been stable and has worked to implement action plans to address prior year audit findings. This has had a positive impact on the number of audit findings raised. However a lack of formal controls over the IT systems was noted, resulting in findings relating to security, access control, program change management and disaster recovery.

32. The findings linked to non-compliance are as a result of a skills shortage within the surrounding areas of the municipality, creating challenges relating to the recruitment and retention of suitable skilled employees.

Financial and performance management

33. Inconsistencies were noted between the IDP, SDBIP and performance report through our audit of performance objectives due to incorrect information being submitted for audit purposes. The lack of formal controls in the IT systems has resulted in the reliability, availability and protection of information potentially being compromised.

Governance

34. Insufficient action was taken by the governance structures within the municipality to ensure that risks relating to the monitoring and reporting of performance objectives and compliance with laws and regulations were addressed thus resulting in repeat audit findings in this area.

Auditor – General.

East London

30 November 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

4.4. PLAN OF ACTION TO ADDRESS FINDINGS FROM THE AUDITOR-GENERAL REPORT

AUDIT OUTCOME 2010-2011: RESPONSE PLAN					
FINDING	DEPT	RESPONSIBLE OFFICIAL	RECTIFIED (YES/NO)	ACTION PLAN	IMPLEMENTATION DATE
Significant uncertainties- Municipality is a defendant in a multitude of lawsuits amounting to R 1.85 Million	CS/BTO	Director of Corporate Services/ CFO	No	All contingent liabilities to be adequately analysed from a risk perspective; matters to be brought before the courts for finalisation in timely and cost effective manner.	Jan-12
Unauthorised Expenditure amount to R 1.18 Million incurred for the financial year ended 30 June 2011	BTO	C.F.O.	No	Operational costs(Institutional component and projects) associated with Capital Projects financed from Donor funding sources budgeted against Capex; All Departments to furnish Business plans on cost apportionment for 2011/2012 adjustments budget; item to Council to condone unauthorised expenditure	Jan-12
Fruitless and Wasteful expenditure R 11 021 incurred	BTO	C.F.O.	No	Item to Council for condonment of fruitless expenditure; Furthermore Eskom to be engaged around due date on invoices given that a mere 14 days from date of invoice is being applied	Jan-12
Material losses	IP/BTO	Director Infrastructure Planning/ CFO	No	Revenue Protection Strategy to be fully implemented; Revenue Protection Department to be established and resourced	Mar-12
Material under spending on capital Budget- R 36.43 Million	ALL	C.F.O.	No	Demand Management plan to be formulated and adopted by Council, introduction of a monthly/quarterly	Feb-12

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				Projects report to supplement section 71 report	
Material Impairments- debtors totalling R 60.02 Million	BTO	C.F.O.	No	Revenue enhancement strategy employed to assess the recoverability of the entire debt book with the view of writing down all irrecoverable debts provided for in accordance with the impairment provision in existence	Apr-12
Predetermined objectives- the Annual performance report did not contain measures taken to improve under performance	MM	Municipal Manager	No	Annual performance report to contain a performance improvement plan in line with documented performance outcomes	Jun-12
Changes to the objectives of the approved performance plan were not disclosed and explained	MM	Municipal Manager	No	Alignment of the IDP and Balanced scorecard and SDBIP must be established in line with the MSA and MFMA circular 13; AGSA to make presentation of detailed findings to identify root causes and corrective action as per above.	Feb-12
Non-submission of source documentation to verify actual achievements	MM	Municipal Manager	No	Portfolio's of evidence and performance improvements plans to be maintained by the Office of the Municipal Manager after the evaluation of performance on a quarterly basis	Jan-12
Amendments to balance scorecard not in compliance with the MSA	MM	Municipal Manager	No	Amendments to performance information and targets are to be undertaken and communicated through Public Participation process as envisaged through the MSA	Mar-12
Procurement and contract management- bid specifications were not complied by BSC	FIN	C.F.O.	Yes	Bid specification committees to ensure review and approval of all specifications prior to advertisement of all bids	Nov-11

RT OF THE ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

committees which were composed on at least one SCM practitioner	FIN	C.F.O.	Yes	SCM Manager to be delegated to be a member of the BAC; contracts officer to be employed to attend to the BEC	Feb-12
Discrepancies on exit benefits to employees with regards to leave payouts. Calculations not properly reviewed as the calculations used for other employees showed no discrepancies; thus revealing inconsistencies.	BTO	MM	No	Management must review the calculations done on exit benefits paid to employees	Mar-12
Discrepancies on PAYE calculations revealed that PAYE deduction per the payroll for the employees was understated by R 159 193	BTO	MM	No	The payroll system should be adjusted to ensure it calculates and deducts PAYE accurately. Management should review employee deductions as the calculator used does the calculation on an annualised amount for the specific month	Mar-12
Expenditure invoices not displaying Municipality's VAT number due to finance staff not ensuring invoices contain the information required by the VAT Act.	BTO	MM	No	Management should review all supplier invoices to identify and quantify all invoices that do not represent valid VAT invoices. Suppliers should be informed that payments will only be made on invoices reflecting the Municipality's VAT numbers	Jan-12
Registers to declare gifts, favours or hospitality – revealed that insufficient controls were implemented for SCM officials to record such gifts	BTO	MM	No	Management should implement register to declare gifts, favours or hospitality	Feb-12
Discrepancies in line loss calculation for electricity and water – Variances were noted between a re-calculation of the Electricity Distribution losses and the client records.	BTO	MM	No	The distribution loss calculation should be prepared on a monthly basis and reviewed by a senior official; and signed as evidence of review.	Feb-12
Unpaid Conditional Government Grants and Receipts – The rights to unpaid grants, disclosed as current assets, could not be	BTO	MM	No	Management should provide evidence of its control of resources before it can recognise the asset. CFO must exercise	Feb-12

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Municipality's control of these resources could not be confirmed.				oversight and responsibility over reporting and compliance with laws and regulations and internal control.	
Journals – There is no written and approved policies and procedures governing recognition and processing of journal entries. There may be inconsistency in the approach to recognising matters that are to be disclosed in the financial statements	BTO	MM	No	Policies and procedures regarding the recognition and processing of journal entries should be developed, formally approved and implemented timeously.	Jun-12
Non-compliance with the Environmental Conservation Act – No evidence could be obtained of the Municipality's adherence to the conditions attached to the three landfill sites.	BTO	MM	No	Management should ensure that all conditions attached to permits for landfill sites are met to ensure compliance with the Environment Conservation Act.	Jun-12
Disconnected consumers appearing on deposit listing – No listing of disconnected consumers is maintained that is reconciled to the consumer deposit on a periodic basis.	BTO	MM	No	Management should maintain a listing of disconnected consumers and reconcile it to the consumer deposit listing on a periodic basis, noting disconnected consumer with outstanding balances in the consumer deposit listing.	Apr-12

The report below is the report for the financial period ended 31 June 2011.

4.5.1. AUDIT COMMITTEE MEMBERS

The Audit Committee consists of the members listed hereunder:

- Mrs N Mnconywa (**Chairperson**),
- Mrs L Dart,
- Mr Q Williams and
- Adv G Richards.

Adv G Richards was appointed to the Audit Committee on 5 November 2010.

4.5.2. AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from Section 166 of the MFMA. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter, and has attempted to discharge its responsibilities as contained therein, which is:

- ✓ To monitor the integrity of the municipality's financial statements and announcements relating to its financial performance, reviewing significant financial reporting judgments.
- ✓ To keep under review the effectiveness of the municipality's internal controls and risk management systems.
- ✓ To monitor the effectiveness of the internal audit function and review its material findings.
- ✓ To oversee the relationship with the internal and external auditors, including agreeing their audit fees and terms of engagement, monitoring their independence, objectivity and effectiveness.

However, the Committee has no executive function and its primary objective is to review and challenge, rather than assume responsibility for any matters within its remit. The committee reports to the municipal council through the council's representative. The Committee presents a summary of its activities to the municipal council subsequent to each audit committee meeting.

4.5.2.1. THE EFFECTIVENESS OF INTERNAL CONTROLS

Whilst the various reports of the Internal Auditors as well as the Audit Reports on the Annual Financial Statements and the management letter of the Auditor General indicated that the system of internal control had shortcomings, the Audit Committee had noted the progress being made in this regard, especially in view of the significant and material non-compliance with prescribed policies and procedures that was reported in the previous financial year resulting in a qualified opinion.

The Internal Audit Unit (Ilitha Lelizwe Consulting (Pty) Ltd) had fulfilled its duties. Reports tabled by the Internal Audit Unit have been used by the Audit Committee and Management to plan the way forward for the municipality in relation to control environment and safeguarding of assets. Their challenge had been with the audit of performance information which they have since overcome.

could do better than they did in 2010/2011. The Audit
 they continuously tabled reports in their Audit Committee
 meetings.

4.5.2.2. EVALUATION OF THE FINANCIAL STATEMENTS

For the current year, the Office of the Auditor General has rendered an Unqualified Opinion on the financial statements. The Audit Committee noted the matters of emphasis which were due to challenges in internal control environment as a result of capacity. The Audit Committee has been monitoring the steps being taken by management to address issues raised by Auditor General.

The Audit Committee concurs and accepts the conclusions of the Auditor General on the Annual Financial Statements and is of the opinion that these audited financial statements be accepted and included as part of the annual report.

4.5.3. ACTIVITIES OF THE AUDIT COMMITTEE

During the year under review there were five meetings held. The attendance at these meetings was as follows:

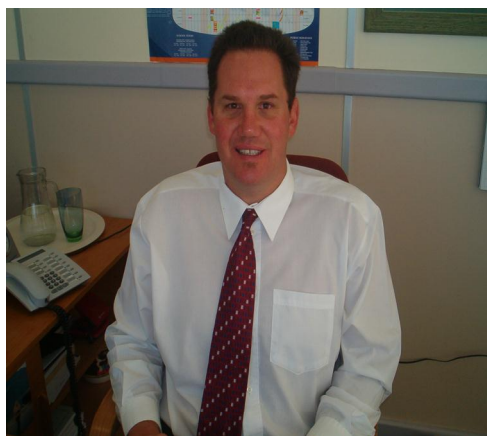
MEMBER	NO. OF MEETINGS HELD DURING TIME IN OFFICE	NUMBER OF MEETINGS ATTENDED
Ms N Mnconywa (Chairperson)	5	5
Ms L Dart	5	5
Mr Q Williams	5	5
Adv G Richards (Appointed 5 Nov 2010)	3	3

.....
 N Mnconywa
 Chairperson of the Audit Committee

MEMBERS OF THE AUDIT COMMITTEE



Ms. N Mnconywa (Chairperson)



Mr. Q Williams (Member)



Ms L Dart (Member)



Adv G Richards (Member)

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The Municipality's Institutional Balanced Scorecard is attached as an Annexure.

4.7. DETAILED ASSESSMENT OF PERFORMANCE AGAINST SERVICE DELIVERY TARGETS

#	KPA/ PERSPECTIVE	PRIORITY AREA	OBJECTIVE	INDICATOR	WEIGH TING	MEASUREMENT SOURCE AND FREQUENCY	ACCOUNTABLE SECT. 57 MANAGER	BASELINE AS AT BEGINNING JULY 2010	% ACHIEVEMENT END JUNE 2011	PROGRESS DESCRIPTION	EXPLANATION FOR DEVIATION FROM TARGET
1	LOCAL ECONOMIC DEVELOPMENT	Local Economic Development (Procurement, Agriculture, Tourism and Environment)	Economic Growth & Development	Created conducive environment for the beneficiation of SMMEs from the municipality's business	2	Quarterly Reviews	COMMUNITY SERVICES MANAGER	Organised SMME Structure per Sector already in place	130%	Four job creation projects were launched during the year under review, namely: (i) Water bottling feasibility study (R 500 000). This created two (2) short term jobs for field workers. Ran three local school competitions for water labels. The winning pupil (grade 11) and the school received R 500 each. The water bottling project will employ 15 bottlers. An application of R 2m was submitted to DEDEA for the implementation wherein 18 locals will be employed. (ii) Elundini Women's Hospitality Cooperative was launched provincially to the value of R 469 000. Its membership of 14 accommodation establishments (78% women ownership)	None

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										<p>employ on average 3 persons. The cooperative has and is continuing to undergo a series of training sessions. In May 2011 a Strategic Plan was developed aiming at unleashing opportunities to access support towards sustainable growth of each of the 14 accommodation establishments and have acquired Business Management Skills and currently two (2) of them have their Establishments graded. (iii) Elundini Furniture Manufacturing Enterprise to the value of R 2.5m was also launched and has 13 trained wood technicians and has since registered as a cooperative and members have since acquired Business Management Skill. When the project takes off the ground by September 2011, the technicians will undergo refresher training.</p>	
				Established LED Support Structures	2	Quarterly Reviews	COMMUNITY SERVICES MANAGER	LED Structures already in place	100%	<p>Elundini's key economic drivers are Agriculture, forestry and tourism, and as such structures established are around these sectors with the</p>	



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										cross cutting SMME development. In formulating the LED forum, secondary with primary cooperatives, critical partners in the social and economic sectors have participated fully as the major aim is the fight against poverty and underdevelopment in our area. Report has been prepared by the Sectoral Task Teams and consolidated into one.	
	BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT		Coordinated job creation initiatives	At least 150 documented jobs created between July 2010 and June 2011 (Quarterly progress reports)	2	Quarterly Reviews	COMMUNITY SERVICES MANAGER	Projects for job Creation already identified	200%	The target of 150 jobs has been exceeded by 222 more jobs reaching the total of 372 made up of 160 during first quarter, 47 in the second quarter, 94 in the third quarter and 71 in the last quarter. Jobs created benefited approximately 1 860 others assuming that a family has 6 members. Four (4) projects launched at a cost of R 3.6m and they account for 72 direct jobs created over and above the 372 jobs created as per our database thereby translating to 360 indirect beneficiaries.	
			Promote SMME Development	At least 3 of each sectoral SMME given support (Documented	2	Quarterly Reviews	COMMUNITY SERVICES MANAGER	SMME structures already in place	150%	TOURISM: Out of 14 constituent members of the Women Hospitality	

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				nce)							<p>Cooperative, 12 members were trained on two separate occasions in September 2010 thereby translating to 93% of the members capacitated in Marketing. Four (4) Tour guides received accredited training from Yezinyama Consulting thereby improving conditions in the sector so as to attract future tourism investment in this area.</p> <p>AGRICULTURE: Out of 24 primary cooperative under the Siluqilima Secondary Cooperative (mainly agriculture and social services) 16 were trained by the Department of Agriculture, ZMT Consulting; bringing the support in the sector to 67% of the registered SMMEs.</p> <p>INFORMAL TRADERS: Out of 86 Informal Traders' (hawkers)'Association members, 33 were work-shopped on the draft policy (informal traders') In April 2011, 59 people including Councillors and officials were work-shopped on the final policy. Over and above these specifics</p>	
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										combined all SMME sectors have been trained by ECDC on 14-15 October 2010; on 25 November 2010 by SEDA on entrepreneurship and Cooperative Programs and ECDC conducted 2 seminars in February 2011 and later on 10 March 2011. This is a continuous drive.	
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REPORT OF THE ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

	BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT	Development Planning	Townships of Ntokozweni and Land Camp (Ugie) - approximately 1600 sites	Deeds available	2	Quarterly Reviews	COMMUNITY SERVICES MANAGER	Formalised townships of Ntokozweni and land Camp (Ugie), approximately 1600 sites	14%	This target was not achieved due to a number of reasons and was deferred during the third quarter for the 2011/2012 financial year. Only 72 rightful owners were verified which is but a first step towards accomplishment of the task.	Rejection by the Municipality of the 8 ward identified casual employees who were to verify the rightful owners of the properties in Ugie, quoting this as noncompliance with the Municipal Policy of getting casuals from the Municipal database. The Municipality got only one (1) person willing to do verifications at the time, she thereafter abandoned the exercise. All attempts to proceed with the task failed and the department has only one individual in the division and cannot devote time to this important task either. Community Services and Corporate Services to cooperate in securing casual employees to undertake the project by the end of the first quarter of 2011/2012.
			15 Middle Income sites available in Maclear	15 sites sold	2	Quarterly Reviews	COMMUNITY SERVICES MANAGER	15 Middle Income site available in Maclear	0%		No serviced sites were sold. The Municipality owns serviced residential properties that are sold at market related price. The



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									<p>sale had to follow very stringent procedures including first getting the current values of the land in question from the municipal valuer. The valuer responded by July 2010. Because of the exorbitantly high costs, a request was made by Council that some other factors should be considered especially that the bulk of local people would not afford to incur such costs and the prices had to be reduced as a result thereof. Council's approval to sell was obtained in September 2010 and the sale was advertised immediately thereafter. Offers to purchase were received on 29 October 2010 as required in the advertisement. A long time passed without the procurement committees considering the offers to purchase. This was unavoidable due to staff shortages in</p>



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										the division. Bid Evaluation only sat in May 2011 to consider the applications to purchase. The Bid Adjudication Committee could only meet during July 2011 and it proposed additional issues to be considered by the Bid Evaluation Committee before adjudication could be made. The target was however deferred during the third quarter of the year to 2011/2012
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BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT			Technical survey	2	Quarterly Reviews	COMMUNITY SERVICES MANAGER	Available virgin land in Mount Fletcher	150%	Due to speciality of Geotechnical Survey services, a specialist was appointed to conduct the survey in Mt Fletcher with a view to establish whether the vacant land at Thembeni could be utilised for housing development in that area. While seeking an opportunity for the "would be" Mt Fletcher housing beneficiaries, satisfying the requirements of the Housing Sector Plan target was another main objective. Although procurement processes took longer than expected time, survey results were finally delivered in May 2011. The survey confirmed that a bigger portion of the land in question is developable with a carrying capacity of approximately 2405 housing units at 250 square meters. This could be the largest single space planned to accommodate such massive development at Elundini. This study or survey is viewed as a significant milestone, which brings hope to a number of housing needy people in the area where no housing development has ever been witnessed. It has raised interests to the institutions such that most volunteered to contact powers that would be for	
			report completed							
			virgin land in Mt. Fletcher							



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REPORT OF THE ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

Facilitated provision of basic services such as: Water, Sanitation and energy										
BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT		sites available in Ugie		2	Quarterly Reviews	TECHNICAL SERVICES MANAGER	No continuous access to clean water in Mount Fletcher town. Insufficient water sources	150%	There is still no continuous water supply in Mount Fletcher in spite of the efforts that the department has engaged into. The department's facilitation efforts were (1) (water) - facilitated water carting to Mt Fletcher on a daily basis which was not the case before - basic water is being provided (2) (Solar Programme) - 2688 households have been supplied with solar power where there is no electricity grid (Grid Electricity) - reached an agreement for 9000 households will be electrified by 2016; Fletcherville, Gaqangana, Mantsoana have been electrified as part of the electrification program. (3) (Sanitation) - Wards 8, 10 & 11 have been provided with rural sanitation	
	Forestry and Agriculture	Facilitated Agriculture and Forestry Projects	Rolled out study conducted on forestry potential completed with the help of DAF&F	2	Quarterly Reviews	COMMUNITY SERVICES MANAGER	Study indicating forestry potential completed with the help of DAF&F	150%	Out of the 5 identified community forestation projects, four of these had gone to the stage of establishing steering committees; one has established a cooperative as having been assisted through a facilitation process by the municipality.	



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										<p>Working in partnership with the District Municipality, Traditional Leadership of the areas, funding application was submitted by the Rural Forest Development, a company appointed by the District in support of Elundini Forestry Development. The Rural Forestry Development submitted the application in favour of Chevy Chase and Katkop on 5 May 2011. A response received from IDC was that Chevy Chase met IDC's initial screening requirements while Katkop did not. The required action for Chevy Chase is to compile a work-plan indicating the extent and cost of work to be conducted so as to compile a scoping report.</p>	
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BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT	Tourism Development Strategy	identified and selected unique selling 'product' from the documentary	2	Quarterly Reviews	COMMUNITY SERVICES MANAGER	Documentary already in place, what needs to be done now is to identify and select unique selling 'product' from the documentary	120%	<p>Before rock art can be identified as a selling tourism product because of its fame, quality and size, the municipality decided on first updating the existing information on all tourism attractions of Elundini. This entailed appointment of a service provider to do that so that each area is covered in the brochures while others have been flown over compiled into a spectacular video, brochures which are marketing tools in their own right. Of importance now each and every place is identified by name and area. This is supported by a voice recorded and that enhances the tourism marketing strategy using the powerful audio visuals.</p> <p>The updated version of tourism is to be posted in the Elundini's and Joe Gqabi's websites. During September 2011 Elundini will host the regional tourism celebrations at Mangoloaneng Village in Mt Fletcher. The updated material has seen its way to the International Tourism Indaba during May 2011 in Durban, where they attracted many potential visitors (tourists) to Elundini in particular the rock art which is believed to be the largest in South</p>

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MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	Planning and Municipal Performance Management	IDP and SDBIP	Approved IDP and SDBIP approved by Council	2	Quarterly Reviews	MUNICIPAL MANAGER	The municipality has initiated a process of community based planning	180%	Achieved. Process plan tabled before council Sept 2010. IDP rep forum meetings held on 4/11/2010 and 23/3/2011. Community based planning undertaken Jan - Feb 2011. Draft IDP tabled 31 March 2011 and approved 10 May 2011 (200%). The IDP has now been rated as "HIGH".	
		Developed Municipal Performance Management System and Municipal Balanced Score Card	Fully functional Municipal Performance Management System including the Municipal Balanced Score Card	2	Quarterly Reviews	MUNICIPAL MANAGER	Performance Management Policy in place and Balanced Score card reconfigured	130%	Mid-term institutional and individual performance assessments undertaken in February 2011. Reports in terms of section 52(d) of the MFMA submitted to the municipal council. Final performance assessments due in July 2011 but to be attended to in August 2011 (130%). The Oversight Committee has developed and is tabling its report to Council on the mid-term report drawn from the use of the IBSC.	
	Human Resources Development	Implemented HRD/WSP	At least 80% of training needs identified in the WSP met during the current financial year	2	Quarterly Reviews	CORPORATE SERVICES MANAGER	Workplace Skills Plan currently being implemented - progress must be monitored on a quarterly basis	200%	1) Report on implementation of WSP is continuously done and submitted to standing committee. 2) Completed and submitted Declaration of Intent to Participate in LGSETA Learnership programs on March	



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									<p>2011. (3) Out of R680000.00 training budget, an amount of R659635.69 was spent on implementation of WSP. 4) Skills levies grants amounting to R62231.73 were received from LGSETA. 5) 3 Disabled community members benefited from the Project Management Learnership NQF Level 4. 6) 3 Municipal officials were also capacitated through the Local Government Accounting NQF Level 3 Learnership.</p>



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	MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT			Issues identified through the LLF and EEF attended to.	2	Quarterly Reviews	CORPORATE SERVICES MANAGER	LLF and EEF currently sitting regularly - annual programme and records of proceedings must be monitored and kept	80%		(a) LLF has been revived and its last sitting was on 11th March 2011 due to Local government elections. New councillors to sit in the LLF meetings have been appointed. (b) Employment Equity Report is submitted annually; (c) Employment Equity Report submitted to Dept of Labour on 15 / 01/ 2011 for the 09/10 financial year(FY); (d) Report on recruitment for the 2010/ 2011 financial year is continuously done and submitted to standing committee. Disability declaration forms were developed and distributed to all to disclose their disability status. Affected employees have made and submitted their declarations.
				Established Municipal competencies and qualifications database.	2	Quarterly Reviews	CORPORATE SERVICES MANAGER	Not in place at the moment - data collected from empirical skills audits must be captured in retrievable	160%	WSP	(a) Correspondence issued to all HODs on 5th April 2011 requesting their inputs towards development of scarce skills. An identification criterion for scarce skills was set out to

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								databases		assist HODs. A deadline was set for the 8th April 2011 for the submission. No response received. Reminder is being sent to HODs (b) Reminder has been sent without any response. (c) A Policy will be developed for scarce skills during the 2012 first quarter. (d) This has been identified as one of the 2011/2012 IDP objectives.
				Implemented Municipal Wellness Strategy	2	Quarterly Reviews	CORPORATE SERVICES MANAGER	While elements of the Wellness Programme are implemented, the Municipality needs to adopt and implement an Integrated approach to Wellness Management	100%	Identified and troubled employees were referred to the Social Workers for assessment; those recommended for rehabilitation, were sent to rehab centres. One employee who was recommended unfit for work by the Psychiatrist Specialist is still under treatment. The employer sent him to another specialist for second opinion; following the declining of incapacity benefit application. One employee was assisted to taking early retirement due to ill health. Various sessions and EAP meetings involving



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					other stakeholders were conducted on 28th, 29th 30th March 2011. There has been assistance in organising SARS to advise on employees' tax matters.



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BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT	Land Reform	Housing Sector Plan	Serviced Housing Sector Plan targets for 2010-2011	2	Quarterly Reviews	COMMUNITY SERVICES MANAGER	Housing delivery currently characterised by slow progress in rural housing development	100%
								The Housing Sector Plan identifies various areas where different levels of housing should be located. In terms of middle income housing, 120 serviced sites in Ugie have been presented to DoHS for Social Housing to be implemented. After some time DoHS reverted to the municipality to indicate that the project is not large enough to warrant Social Housing. The municipality resolved to call for development proposals as housing development is the competence of Provincial and National Housing Departments concurrently, but it is Elundini communities that need to be served hence the facilitation. For Maclear, the municipality negotiated 90ha of land for middle income housing development. The envisaged housing development will be secured by the JOGEDA. For Mt Fletcher a Geotechnical survey revealed that 2405 low income houses could be built at Thembeni while the first rural nodal projects are underway.

REPORT OF THE ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT		Housing Delivery	the housing development project by the Ukhahlamba Development Agency.	2	Quarterly Reviews	COMMUNITY SERVICES MANAGER	Land availed by PG Bison for Maclear. - No bulk infrastructure	100%	An application for middle-income housing on the land donated by PG Bison has been submitted to the JOGEDA upon the approval by Council. The board of JOGEDA has approved the implementation of the project.	
		Provided Free Basic Services to all Communities	1000 Indigent Households to receive monthly subsidy allocations	2	Quarterly Reviews	CHIEF FINANCIAL OFFICER	238 Indigent applicants received monthly indigent support subsidy	200%	1077 Indigent Registered and receiving Support	
	Electricity	Managed electrical resources effectively and efficiently ensuring that the maximum people benefit from available resources	All high mast/ street lights working	2	Quarterly Reviews	TECHNICAL SERVICES MANAGER	Street and high mast lights not working properly	130%	With the exception of a few glitches, the bulk of street lights and high mast lights are working. To sustain continuous maintenance which could not be achieved due to budget constraints, shortage of personnel and equipment, the municipality procured a cherry picker in June 2011 which will assist in improving street light maintenance. The cherry picker will be delivered in August 2011. Mount Fletcher street lights were also maintained and completed by Eskom in June 2011. Implemented 29 high mast lights in Ugie at a cost of R8.5m.	



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BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT			households connected to solar system per month	2	Quarterly Reviews	TECHNICAL SERVICES MANAGER	Mount Fletcher under Eskom supply	90%	3000 connections were not achieved. 2688 connections were achieved by June 2011.	The rate of installation was extremely slow with some of the months sitting at only 21. The only month where the target was achieved was June 2011.
			Minimised distribution losses by between 10% and 15%	2	Quarterly Reviews	TECHNICAL SERVICES MANAGER	Implementati on of bulk metering per area	30%	Not fully achieved. While there were intermittent reductions, these reductions fell outside the targeted range. A Revenue Protection Unit has been established, illegal connections identified were disconnected, meter-audit is currently in process, meters continuously changed.	There was no dedicated personnel to ensure that losses are consistently managed. The municipality adopted an organisational structure in May 2011 which also accommodates a revenue protection unit. Two strategies were developed on short term and medium to long term. The short term strategy is currently being implemented. A contractor has been appointed for meter audit and data collection. The information will assist in updating the financial system
	Water	Provided continuous and clean water to the towns of Elundini Municipality	Continuous access to clean water in the towns of Elundini Municipality	2	Quarterly Reviews	TECHNICAL SERVICES MANAGER	No continuous access to clean water in Mount Fletcher town. Insufficient water sources	200%	There is no continuous water supply in Mount Fletcher.	The regional water supply project has not been commissioned by the district (the dam and water purification plant are not functional yet). Continuous

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											water supply could not be achieved in Mount Fletcher due to inadequate water sources and inconsistent water carting. Additional boreholes were investigated but there has been no progress on these boreholes.
	BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT			Water quality (Blue drop or Green Drop Certification)	2	Quarterly Reviews	TECHNICAL SERVICES MANAGER	No continuous access to clean water in Mount Fletcher town. Insufficient water sources	85%	Blue Drop for Ugie has been achieved, Maclear improved to over 70%.	The treatment plants do not have process controllers 24 hours to collect the required data and detect failures on time. Ugie treatment plant achieved the blue drop and Maclear improved from about 50% to about 70% at the evaluations held in June 2011.
		Roads and Storm-water	Well maintained infrastructure equipment and machinery	All roads projects identified in the infrastructural programme are completed	2	Quarterly Reviews	TECHNICAL SERVICES MANAGER	Approximately there is 90% of roads construction and maintenance backlog	160%	100% of the MIG was spent and exceeded by R600 000. The spending included the rollover from the previous financial year. While the Ugie streets could not be done, an additional project was included (Mangoloaneng Project).	Ugie streets are awaiting a court judgement.
				100 km of road network constructed and/ or maintained	2	Quarterly Reviews	TECHNICAL SERVICES MANAGER	Elundini Municipality has purchased its own plant and	103%	Road construction = 58.3km and road maintenance = 45.87km	

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				Developed and implemented Plant usage policy for improved maintenance of roads and storm-water	1	Quarterly Reviews	TECHNICAL SERVICES MANAGER	machinery There is no policy on utilisation of plant	75%	Final draft policy was ready in January 2011 copies were circulated to all councillors and comments came from ward 8 councillor only. A workshop was scheduled for 11 April 2011 but it did not take place. The policy is not approved yet. Copies of the draft policy were distributed to the new councillors for comments and a workshop will be organised with the Speaker.	
	BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT										
		Financial Viability	Ensured 100% receipt of all Gazetted DORA allocations in 2010/2011	100% receipt of Gazetted allocations to Elundini LM Vs Actual	2	Quarterly Reviews	CHIEF FINANCIAL OFFICER	National Treasury withholding Equitable share to ELM	200%	100% of Gazetted funds as per DORA have been received. NT threatened to withhold some money (R780 000 for 08/09) & R7.6m for 09/10. This has been mitigated and resolved and the money will now not be withheld within half a financial year.	
				Maintained positive working capital ratio at 2:1	2	Quarterly Reviews	CHIEF FINANCIAL OFFICER	Currently 1.99:1	130%	Current Ratio 2.14:1 (Based on the exclusion of the following non-cash transactions (1) Long service award obligations, post-retirement medical benefits, leave provisions and provision for land-fill). The above equates to R11.4m.	
				Maintained Debt	2	Quarterly Reviews	CHIEF	138 times	130%	178 times	
	RESOURCE MANAGEMENT AND FINANCIAL VIABILITY										

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				Ratio: 140			FINANCIAL OFFICER				
			times			Quarterly Reviews	CHIEF FINANCIAL OFFICER	3.82:1	200%	0.75:1	Outstanding debtors to Revenue: 3.5:1
			Outstanding debtors to Revenue: 3.5:1			Quarterly Reviews	CHIEF FINANCIAL OFFICER	5.81:1	200%	4.75:1 - ELM has sufficient cash reserves to cover fixed operating costs for 4.75 months	
			Improved ability of ELM to cover fixed monthly operating expenditure at 5.9:1	2		Quarterly Reviews	CHIEF FINANCIAL OFFICER	IDP currently has no financial plan	150%	Credible Financial Plan submitted and approved; Evaluation report defines the plan as credible and assigned a tentative rating of High	
			Financial Plan included under the financial viability component of the IDP	2		Quarterly Reviews	CHIEF FINANCIAL OFFICER	Currently on 27.13% collection rate on billable services	200%	Billed R 60 225 272.86 July-June'11; collected R 49 425 321.06= collection rate 82.067%	
			Formulated and implemented Revenue Enhancement Strategy	2		Quarterly Reviews	CHIEF FINANCIAL OFFICER	Currently at 0%	200%	Budgeted revenue for services R 32,12 Million, Billed R 34,45 - Increase 7.2%	
			2% growth in net billable revenue for 2010/2011 over budget	2		Quarterly Reviews	CHIEF FINANCIAL OFFICER				
			Human Resources Management	implemented Individual Performance Management System	Quarterly implemented Performance of employees and reporting	2	Quarterly Reviews	CORPORATE SERVICES MANAGER	Currently Performance Management is implemented with Section 57 Managers and has just been cascaded to Assistant Managers	200%	(a) All assistant managers, chief traffic officer and superintendants have signed Performance Agreements for 2010/2011 (b) Qualifying Assistant Managers assessed for 2009/2010 and advices in terms of reporting were given. (c) Assessments to be finalised before end August 2011 for the previous financial year. (d) Assessment for 2010/2011 to be



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		Organisational Development	Reviewed and implemented, municipality's Organogram	2	Quarterly Reviews	CORPORATE SERVICES MANAGER	Due in September 2010	160%	(a) Service provider appointed to facilitate the process; (b) Revised organisational structure in place. (c) Revised organisational structure submitted to LLF on 11th March 2011 for consultative process; (d) The revised organisation structure was submitted to Council meeting of the 10th May 2011 for consideration and approval and was duly approved. (e) Submitted proposal on processes for proper implementation of the revised organisational structure. (f) New organisational structure is being implemented following processes of job evaluations outcomes which is in place and awaiting for presentation. Accredited service provider appointed to facilitate the process. (g) Placement process is under way.		



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REPORT OF THE ELUNDINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2011

MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT		Management	Implemented Municipal Attraction and Retention Strategy	2	Quarterly Reviews	CORPORATE SERVICES MANAGER	Municipal Attraction and Retention Strategy in place	120%	Exit interviews are done for every employee leaving the institution and willing to complete the form. Scarce skills could not be identified. Strategic positions to be identified in the first term of 2011/2012 financial year. Full implementation of the Attraction and Retention Strategy can only be fully implemented once included in the Budget.	
		Municipal 'Peace'	Implemented Municipal Code of Conduct and Discipline	2	Quarterly Reviews	CORPORATE SERVICES MANAGER	Municipal Code of Conduct and Discipline in place and stakeholders work-shopped	160%	Over and above the disciplinary cases handled for identified transgressions, Information sessions are regularly conducted. Employees are updated and encouraged to adhere to HR Policies, various collective agreements including municipal code of conduct and other pieces of legislation during information sharing sessions.	
			Monitored Employee Satisfaction through (ESI)	2	Quarterly Reviews	CORPORATE SERVICES MANAGER	Due in October 2010	160%	Employee queries form designed and in place. Also conducted employee satisfaction survey to check whether the employee working conditions are conducive to a productive workforce. Employee Satisfaction Survey was conducted;	Monitored Employee Satisfaction through (ESI)

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										the survey was analysed and the analysis report is in place with recommendations. The report is to be formally submitted to LLF with recommendation and ultimately to council. Implementation to be conducted in the 2011/2012 financial year.	
		Implemented Anti-corruption Strategy	Fully Operational Anti-corruption and Risk Management Strategy	All identified risks successfully mitigated	2	Quarterly Reviews	CHIEF FINANCIAL OFFICER	Audit response plan/internal audit report on matters addressed	200%	Audit response plan and risk mitigation strategy/pan implemented. Over and above - we have developed and workshopped staff on the anti-corruption policy. Set up a hot-line and whistle Blower Protection Plan.	
		Complied with all relevant legislation	Improved accountability and financial governance	Sect 71 reports incorporating Statement of Financial Position, Performance and Cash-flows; including ratio analysis	2	Quarterly Reviews	CHIEF FINANCIAL OFFICER	Sect 71 reports are non-compliant with Legislative requirements	200%	Section 71 reports incorporating Statement of Financial position, performance and cash flow-including ratio analysis, and submitted to Council Monthly. Give additional financial information to the Section 52 (d) reports.	
	RESOURCE MANAGEMENT AND FINANCIAL		Improved financial Management	Monthly financial reconciliations	2	Quarterly Reviews	CHIEF FINANCIAL OFFICER	No adequate monthly reconciliation s produced	100%	Monthly reconciliations are being produced and submitted to Council in line with the Section 71 reports	
			Increased confidence	Resolved all matters identified within	2	Quarterly Reviews	ALL SECTION 57 MANAGERS	Audit response	167%	The internal audit unit has conducted a follow	

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			Municipal Financial Administratio n	Report				plan/internal audit report on matters addressed		up review on matters raised by the AG, and their report was discussed in the Audit Committee on 20 June 2011. Report is indicative of significant progress made towards the resolution on matters raised. (167%)	
				Compiled and submitted GRAP compliant Annual Financial Statements to A-G	2	Quarterly Reviews	CHIEF FINANCIAL OFFICER	Submitted for 31/08/2009	200%	Audit preparation plan has been developed and submitted to Audit Committee for approval.	
				No qualification items	3	Quarterly Reviews	CHIEF FINANCIAL OFFICER	Audit response plan/internal audit report on matters addressed	167%	All matters as per the audit response plan have been resolved; similarly all matters contained under emphasis of matter and in the Management letter.	
	GOOD GOVERNANCE	Improve management of contracts	Improved performance by contractors and consultants	Developed and Implemented Performance Monitoring system for the performance of contractors and consultants.	2	Quarterly Reviews	ALL SECTION 57 MANAGERS - TECHNICAL SERVICES MANAGER TO CHAMPION	Poor performance by consultants and contractors	160%	Monthly reports submitted by all sections. The technicians were given reporting formats. Site visit reports submitted by the technicians. Letters of poor performance issued to poor performing service providers. Both technicians resigned with immediate effect on 25 and 30 March. Project and contract management suffered since there were no personnel in the unit. A PMU Manager was appointed and will commence on 1	

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										August 2011 and one project co-ordinator commenced on 1 July 2011. Two more project coordinators will be appointed by September 2011. Spent more than R20m from ECDC.	
	MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	Leadership	Capacitated municipal functionaries and directed municipal administration	Provided resources, disciplined staff and improved individual staff performance	2	Quarterly Reviews	MUNICIPAL MANAGER	Discipline of staff needs improvement	120%	Due to the congestion of activities in the office of the Municipal Manager, including the direct functional responsibilities of the MM, being Special programmes, communications, customer care, etc, it was not possible to monitor quarterly performance. However, performance reports have been submitted quarterly to the Council and audited by Audit Committee, Oversight Committee was activated i.r.o the mid-term report and noted the performance weaknesses reported and recommended remedial measures (120%)	
		Developed and implemented municipal policies, procedures and systems	Documented and evidenced implementation of municipal policies	% Implementation of municipal policies	2	Quarterly Reviews	MUNICIPAL MANAGER	Policies in place and have been work-shopped	100%	A number of policies have been developed and implemented- in the arena of governance (roles and responsibilities, standing rules and orders, inter governmental relation	



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										etc - in the arena of finance (SCM, credit control, indigent policy etc, in the arena of HR (recruitment & selection, leave, acting and acting allowance policy etc.). The outcomes of the employee satisfaction survey seems to point to weaknesses in the implementation of HR policies and the outcomes of the 2010 audit do point to instances of weaknesses in the policy implementation process	
	GOOD GOVERNANCE		Established and functional municipal committees, structures and forums	Evidence of functional municipal structures and committees	2	Quarterly Reviews	MUNICIPAL MANAGER	Committees in place and functional	100%	Calendar of meetings approved December 2010. Quantum of council meetings for the year met. Committee sittings affected by the elections. LLF has sat only 2 times during the year and addressed in management committee. Training and employment equity committee not sitting as frequently as it should. (100%)	



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MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT			documented communication tools and media used by the municipality to communicate with its publics	2	Quarterly Reviews	MUNICIPAL MANAGER	Internal Communications Team is established and seats quarterly	180%	Council has approved the Blue Snow/ Lehloa Le Bolou newsletter which is published quarterly in 3 languages. Mayor's conversations with stakeholders held during the 2010 financial year to bridge the communication gap between elected leadership and community. IDP outreach meetings held (180%)	